Riverside

Financial Statements

Year ended 31 March 2011

The Riverside Group Limited

Contact us

www.riverside.org.uk
email: **info@riverside.org.uk**

Customer Service Centre
24 hours a day, **365** days a year
0845 111 0000
With inclusive call packages or mobile phones, it may be cheaper to call **0345 111 0000**

You can also visit **your local office**
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A charitable Industrial and Provident Society

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These financial statements demonstrate the excellent financial performance of Riverside, showing an increased Group surplus for 2010/11 of £18m, which represents 7.0% of our annual turnover.

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Financial Statements
For the year ended 31 March 2011

The Riverside Group Limited
Industrial and Provident Society Registered Number 30938R

Highlights – five year summary

These highlights demonstrate our continued financial viability and show we are in a strong position to deliver our vision of transforming lives and revitalising neighbourhoods.

£256,780,000 Turnover

£1,613,546,000 Tangible assets

51,493 Total housing stock, owned and managed

£18,031 Surplus on ordinary activities before tax

1.9 Group interest cover

57.5% Gearing

2.2% Voids and bad debts

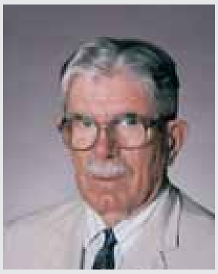
13.8 days Rent arrears

For the year ended 31 March		**2011**	2010	2009	2008	2007
Income and expenditure account						
Turnover	£'000	**256,780**	257,260	249,278	251,801	176,162
Operating surplus	£'000	**42,897**	18,980	24,950	34,496	16,824
Surplus on ordinary activities before tax	£'000	**18,031**	14,374	9,736	13,315	6,197
Balance sheet						
Tangible assets	£'000	**1,613,546**	1,555,459	1,692,132	1,648,068	1,589,833
Loans repayable after more than one year	£'000	**605,090**	596,109	621,674	569,313	508,493
Reserves: Designated and restricted	£'000	**78,198**	73,623	66,269	63,696	54,372
Income and expenditure	£'000	**132,761**	108,936	89,653	80,092	62,770
Consolidation	£'000	**382**	382	152,340	155,815	161,038
Accommodation figures						
Total housing stock, owned and managed	Units	**51,493**	50,313	51,762	52,339	52,641
Statistics						
Group interest cover (surplus before interest payable, depreciation & impairment divided by net interest payable)		**1.9**	2.0	1.9	1.7	1.7
Gearing (long term loans as % of Social Housing Grant plus reserves)	%	**57.5**	59.9	63.9	59.6	55.8
Voids and bad debts as % of rent and service charge receivable	%	**2.2**	2.7	2.7	4.4	3.4
Rent arrears (rent arrears divided by net rent and service charges receivable multiplied by 365 days)	Days	**13.8**	14.3	14.5	17.8	21.5

All figures have been extracted from current and prior years' audited financial statements.

The Board, Executives and Advisors

The board is responsible for Riverside's overall policy and strategy and is committed to integrity and accountability in the stewardship of the group's affairs.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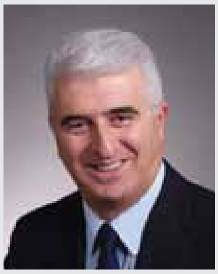
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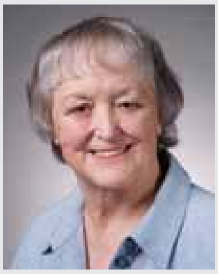
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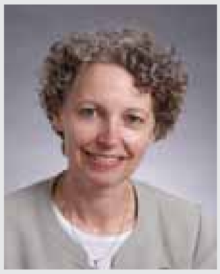
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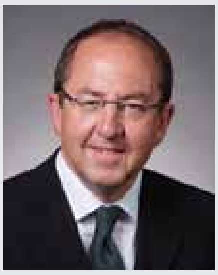
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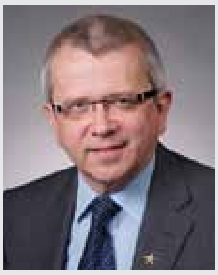
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The key to delivering our high level of performance is the effectiveness of Riverside's boards.

President

1. K Clifford Cook
OBE KStJ FCA

The Board of The Riverside Group Limited

Group Chairman

2. Professor J N Tarn
OBE DL FRIBA
(Resigned 30 April 2010)

3. P Brant LLB (Hons) BL
(Appointed 1 May 2010)

Group Vice Chairmen

3. P Brant LLB (Hons) BL
(Resigned 30 April 2010 and appointed Group Chairman)

4. P H Raw FRICS FBEng MFPWS
(Appointed 1 May 2010)

5. M Steinberg OBE FRSA
(Appointed 1 May 2010)

Group Treasurer

6. S Jee BSc (Hons) FCA
(Appointed 1 April 2010)

Members

7. P J Han

8. A M Jones

9. Y Turgut BSc (Hons) MSc FCA

10. C J Kennefick*
(Appointed 1 May 2010)

Group Directors

Group Chief Executive

11. D F Shackleton CBE
MA (Oxon) FCIH FRSA MAPM*

Group Deputy Chief Executive & Group Finance Director

12. J E Baggaley BA (Hons) FCA*

Group Deputy Chief Executive

13. D A Jepson BA (Hons) MBA*

Group Director of Corporate Services

14. R Clawson BSc (Hons)

Group Director, Housing Services

15. J R W Wood BSc (Hons) FCIH

Managing Director ECHG

16. D Caren
BSc (Hons) MA MBA CQSW

*Co-opted Board Members

Registered auditors

KPMG LLP
St James' Square
Manchester
M2 6DS

Principal solicitors

Brabners Chaffe Street
Horton House
Exchange Flags
Liverpool
L2 3YL

Towers & Hamlins
Sceptre Court
40 Tower Hill
London
EC3N 4DX

Principal bankers

National Westminster Bank PLC
22 Castle Street
Liverpool
L69 2BE

Secretary and Registered Office

L F McCracken
BA (Hons) MBA CertCIH
Solicitor
2 Estuary Boulevard
Estuary Commerce Park
Liverpool
L24 8RF

Registered Numbers

Industrial and Provident Society
Registered number: 30938R

Tenant Services Authority
Registered Number: L4552

Group Chairman's statement

It is probably some time since the challenges facing housing associations and our tenants have been so great, and these financial statements present important evidence about whether we are equipped to confront them successfully. I believe they demonstrate that we can.

For all of us who care about affordable housing 2011 is likely to prove a pivotal year, as the Government introduces a series of radical reforms against the backdrop of a squeezed public purse, a sluggish economy and a stagnant housing market. It is probably some time since the challenges facing housing associations and our tenants have been so great, and these financial statements present important evidence about whether we are equipped to confront them successfully. I believe they demonstrate that we can. I am also convinced that we must.

This period of uncertainty coincides with a significant moment in Riverside's planning cycle. We have just come to the end of our three year Corporate Plan covering the years 2008-11, and we have recently launched a new plan for the period up to the end of 2013/14. This is an ideal opportunity for us to make sense of our operating context, and articulate afresh our purpose in a changing world.

Looking back at our previous plan, I am delighted to report that we have met or exceeded each of our seven Group objectives. Our services to customers have improved demonstrably, with the dramatic rise in tenant satisfaction reported a year ago maintained, and seven out of ten of our operational performance indicators bettered.

In addition to satisfied customers, we have over a thousand more of them, having exceeded our house building targets by around a third, as well as continuing to grow through the transfer of local authority stock and the continued expansion of our commercial companies Prospect and Compendium. And despite a challenging contracting climate, we have also grown our housing support business with Riverside ECHG now providing services to around 12,000 vulnerable customers.

Through the plan we also set broader objectives to support the livelihoods of our tenants, and the success of their communities as places to live. Over the past three years we have helped over 600 tenants into employment and over 5,000 to access affordable loans. We have also rolled out a co-ordinated neighbourhood management approach to some of our most challenging areas, branded as 'Your Place', and we can measure real progress. Despite working in some of the country's most deprived neighbourhoods, eight out of ten of our tenants are now satisfied with their area as a place to live.

These financial statements also demonstrate the excellent financial performance of Riverside, showing an increased Group surplus for 2010/11 of £18m, which represents 7.0% of our annual turnover; we have continued, as a responsible social business, to reinvest surpluses to deliver more homes, better services and sustainable communities, committing an additional £13m to value added activities this last year alone.

Our underlying financial performance tells a very strong story, with significant operational savings being generated through improved procurement and restructuring both at the corporate centre and in our operating Divisions. This is one of the huge advantages of our size, and we are now reaping the benefits of the additional financial capacity generated through the amalgamation of the Group subsidiaries to create a single asset owning housing association through the 'Better Together' process which was completed in April 2010. This has proved particularly advantageous in improving key loan covenants such as our gearing, thus enhancing our longer term ability to access private finance to fund future activities as public funding shrinks back. I am particularly pleased that our regulator, the Tenant Services Authority, continues to endorse Riverside's financial viability with its highest rating.

Riverside has established a strong position, however we are under no illusions about the future – we will need to use this strength over the difficult years ahead if we are going to live up to our vision of 'transforming lives, revitalising neighbourhoods'. As an independent property-owning charity we are not as immediately vulnerable to direct spending cuts as the public sector, however what has changed is the profile of risks we face. The Government's model of affordable housing provision has changed at precisely the moment it is asking us to do more for less, with the balance of funding shifting further away from the certainty of up-front grant, to an increasing reliance on additional long-term rental income associated with the new unproven Affordable Rent regime. This extra risk will be compounded as a result of welfare reforms, which we estimate could cost our tenants over £5m per annum in lost housing benefit. Added to the threat of the end of direct benefit payments to landlords, this is likely to put pressure on our bad debts, meaning fewer resources to invest in the type of extra services our customers need.

“We invest heavily in our board members, providing regular briefings and training opportunities, as well as ensuring that each undergoes an annual appraisal. This approach continues to pay off and it is a tribute to every board member that the Tenant Services Authority has again awarded us their highest grading for effective governance”.

But we mustn’t be paralysed by this daunting prognosis. Our mission is too important for that. We will continue to invest in our stock, build more homes and provide as broad a range of services as we can, but only in ways which are sustainable in the long-term. At the same time we will continue to campaign hard for a better settlement for both Riverside as a business and our tenants as customers, who face unprecedented levels of hardship, with two thirds of tenants already earning less than £200 per week and around only one in three in employment.

So how will we rise to these stiffest of challenges? In a sense the answer is easy – hold our nerve and continue on a similar track to the one which served us so well in the good times. That means continuing to focus on providing quality core services, ensuring greater consistency of delivery across our communities. It means doing more for the vulnerable, whether for those requiring specially commissioned services, or the many more looking for help with changing welfare benefits, money management or access to work. Having a clear post ‘decent homes’ stock investment programme remains essential in order to retain our more ambitious ‘Riverside standard’, with a particular focus on the minority of homes where thermal efficiency remains a significant problem. And we want to continue an 80 year plus tradition of providing new homes, but in a way which ensures they are affordable for tenants and financially sustainable for Riverside in the long-term. All of these are articulated as clear objectives in our new Corporate Plan, with associated targets and actions identified.

Of course our ability to achieve these objectives will inevitably be determined by the skills and resources at our disposal, and whilst the public funding climate over the coming years may be hostile, much remains in our own hands. We know that we can create financial headroom to do many of the extra things our tenants want us to do, if we can be more cost effective about the things we must do. Which means that our plan tackles organisational priorities too, setting out the strategic imperative to drive organisational efficiency through maximising commercial income, delivering excellent value, working our assets harder and maximising new technology.

But above all our success in achieving our corporate objectives will depend upon good governance. Despite the consolidation of our assets under the direction a single Group Board, we have retained a strong system of accountability through a network of Divisional Boards with delegated operational powers, drawing the local knowledge and skills of tenants and other stakeholders into the governance of the association.

We invest heavily in our board members, providing regular briefings and training opportunities, as well as ensuring that each undergoes an annual appraisal. This approach continues to pay off and it is a tribute to every board member that the Tenant Services Authority has again awarded us their highest grading for effective governance. But things are changing here too, and with the imminent demise of the TSA, the onus will rest with governing bodies working with tenants to ensure that the work of providers is properly overseen and scrutinised through a process of 'co-regulation'.

We have spent much of the last year preparing for this change, by strengthening our resident involvement processes, training tenants to lead formal service reviews, developing local service offers and articulating this approach through the first of our Annual Reports to Tenants.

I would like to finish by paying tribute to Riverside's Chief Executive Deborah Shackleton, who has just announced her forthcoming retirement at the end of the year. Deb has been at the helm for 12 years, during which time Riverside has been transformed. Not only has the organisation doubled in size and diversified its income base, but under her stewardship there has been a real focus on customers, both in terms of the quality of the core services delivered and the extra support that helps increase opportunities for some of the most vulnerable households in the country. Deb has also been instrumental in increasing Riverside's profile, so that not only are we one of the nation's largest associations, but we are also regarded as one the sector's leaders. I know she is widely respected across the sector and will be greatly missed. Deb's best legacy however is the shape of the organisation she is leaving behind, and her successor will be fortunate to take on an association which is in fine health.

Paul Brant
Group Chairman

Operating and financial review

The objects of Riverside are to carry on, for the benefit of the community, "the business of providing housing, accommodation and assistance to help house people and associated facilities and amenities for poor people or for the relief of the aged, disabled, handicapped (whether physically or mentally) or chronically sick people".

Overview of the business

The Riverside Group Limited is registered with the Tenant Services Authority as a Registered Provider of affordable housing and the Group provides affordable homes for rent and shared ownership throughout England, together with housing support for vulnerable and elderly residents. Through its commercial subsidiaries and joint venture companies Riverside also has interests in major regeneration projects and in commercial property development and investment which complement its social business activities and generate profits to support those activities financially.

The Group owns or manages 51,493 dwellings, an increase over the year of 1,180. The majority of these dwellings are general rented homes for people who need affordable housing. Also of significance are the 9,631 supported units provided by the Group and 2,164 shared ownership properties for people making their first move into owner occupation.

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Riverside carries out its objectives for the public benefit as set out in these financial statements. The Board considers legal advice and Charity Commission guidance when determining the activities that Riverside undertakes.

Objectives and strategies

Riverside's vision is 'transforming lives, revitalising neighbourhoods'. The strategy for achieving this vision is set out in the new Corporate Plan, which has recently been developed for the next three years. The plan has six themes which will be incorporated into staff appraisals, Key Performance Indicators (KPI's) and training in order to provide direction and ensure focus on achieving common goals.

Of the six themes there are four goals the Group aims to achieve:

As good as the best
Deliver good value and consistent service for all by focusing energy and resources and improving our weakest areas; improving information held about customers in order to better understand their needs; and tackling issues before they become problems, through regular planned visits and annual property inspections.

More support for the most vulnerable
Offer opportunities for the most vulnerable by growing Riverside ECHG's housing support services; developing a clear service offer for older residents living in general needs homes; and delivering improved welfare advice and helping tenants find work.

Maintaining decent, sustainable homes
Invest in homes to meet people's needs and tackle rising fuel costs by investing more than £130m in properties over the next three years; finding new ways to improve the most difficult to heat homes; and providing more money for adaptations to help older and disabled tenants to remain in their homes.

Growth and rationalisation for an efficient footprint
Build new affordable homes and focus on places where we can make a difference by building more homes under the Government's new affordable housing framework; growing by seeking merger opportunities with like-minded organisations where we can deliver real benefits to customers; and selling homes in areas where the Group is not well placed to deliver good services.

The remaining themes are organisational based upon the type of organisation Riverside needs to be to achieve these objectives.

Valuing and developing our people
Offer better development of employees so they can do more for others by delivering comprehensive training and development, with more on-line learning; listening carefully to colleagues through the Group's Employee Experience programme; and supporting and developing Board members to ensure they have the skills and knowledge to lead the Group through challenging times.

Running a fitter, leaner business
Achieve better value for money and increase commercial income by finding more savings on the Group's main activities; using IT more effectively, investing in systems to help manage contact with customers and improve access to performance information at all levels; and generating extra income by developing new commercial opportunities.

Financial performance in the period

The detailed results of the year are set out in the Group Income and Expenditure Account on page 24 and the notes to the accounts on pages 32 to 79. The following table provides a summary of the Group's results:

For the year ended 31 March	**2011 £m**	2010 £m
Group turnover	**257**	257
Operating surplus	**43**	19
Surplus on sale of property	**7**	27
Net interest payable	**(32)**	(31)
Surplus for the year	**18**	15
Interest cover	**1.9**	2.0

1,650

The Group has surpassed its target to deliver 1,650 affordable homes over the three year period.

751

In 2010/11, 751 homes were secured taking the total in the three year period to over 2,000.

Turnover remained level compared to the previous year. This was partly a function of the modest level of rent increases in 2010/2011 and partly the result of absorbing a reduction in income following the property rationalisation which took place in 2009/10. The Group benefited from the organic growth delivered by the development programme and an additional 1,175 properties in North Bransholme which transferred from Hull City Council at the end of November 2011.

Operating surplus has increased compared to the previous year. This is driven in part by lower major repairs expenditure as a number of major improvement programmes relating to stock transferred from local authorities have completed and transfer promises to our tenants have been fulfilled. Also important is the reduction in routine maintenance costs as the roll out of partnering contracts across the Group delivers cost reductions. The Group continues to seek efficiencies and one-off costs have been incurred in the year as Riverside ECHG re-structures to ensure it continues to respond to the changing requirements of the sheltered and supported sector.

No further provisions were made for property impairment, following impairment in the previous two financial years.

The contribution from property disposals reduced to £7m from £27m in 2010. This is in line with the Group's asset management strategy and property disposals have reduced following a peak in activity in 2009/10 as the Group completed a programme of stock rationalisation following the merger with ECHG in 2006.

The Group's interest bill was similar to last year, reflecting stability in the level of debt and the Group's policy of actively managing its interest rate exposure.

Together, all these factors allowed Riverside to achieve exceptional financial results in difficult times.

Balance Sheet

The full balance sheet is provided on page 26 and supporting details can be found in the notes to the accounts on pages 32 to 79.

The following table provides a summary of the key elements of the Group Balance Sheet.

For the year ended 31 March	**2011 £m**	2010 £m
Tangible fixed assets	**1,614**	1,555
Social Housing Grant	**(841)**	(812)
Investments	**24**	23
	797	768
Net Current Assets	**91**	77
Total Assets less current liabilities	**888**	845
Creditors following due after more than one year	**677**	662
Reserves	**211**	183
	888	845

Key highlights are:

- properties at historic cost totalled £1.6bn with additions during the year of £79m and £15m invested in improvements to existing properties
- social Housing Grant totalled £0.8bn with an additional £43m received during the year
- homes in management now total 51,493 of which Riverside own 48,213
- the Group's gearing ratio (measured as long term loans as % of Social Housing Grant plus reserves) has reduced from 59.9% to 57.5%.

Gearing is the principle balance sheet funding covenant, and Riverside continues to operate well within the funders' requirements. Gearing will increase in the future as the level of grant available is reduced, but the Group will continue to operate within the covenant targets required by funders.

Development of affordable homes

The Group has surpassed its target to deliver 1,650 affordable homes over the three year period ending March 2011. In 2010/11, 751 homes were secured taking the total in the three year period to over 2,000.

The Group is committed to maximising the value of its investment in new homes, as well as safeguarding its long term financial health.

This year the reductions in government funding reduced the availability of grant, however this was offset by increases in the efficiency of procuring new homes.

The development programme was secured with a lower average cost per home of £100,031 (2010: £107,834).

The Riverside Group is the lead partner in The Riverside Partnership (TRP). In 2010/11 the Homes and Communities Agency confirmed that TRP exceeded all of its performance targets and furthermore compared with its peers, evaluated TRP as being a top quartile performer in every performance area.

The Group targets its development to support its neighbourhood investment strategies as well as ensuring the efficient operation and delivery of housing services. The programme is concentrated in the East Midlands, Merseyside, Cumbria and the North East.

Operating performance in the period

2010/11 has been another year in which the Group has made significant progress in improving operational performance. The table below provides details of the Group's Top 10 KPI's. These are monitored by Group Directors on a monthly basis and reviewed at each meeting of the Board.

For the year ended 31 March	**2011**	2010
Re-let period (days)	**37.7**	43.7
New tenancies lasting over 12 months	**84.8%**	*
Repair appointments made and kept	**95.2%**	93.4%
Homes without a valid gas certificate	**0.2%**	0.9%
Current rent arrears	**5.9%**	6.3%
QAF ratings at B and above	**97.0%**	86.1%
Aids and adaptation completed within target	**90.4%**	73.1%
Staff attendance	**95.4%**	95.7%
Letters responded to within target	**79.5%**	*
Void stock	**4.0%**	*

*New KPI's for 2011

Fig 1: Appointments made and kept %

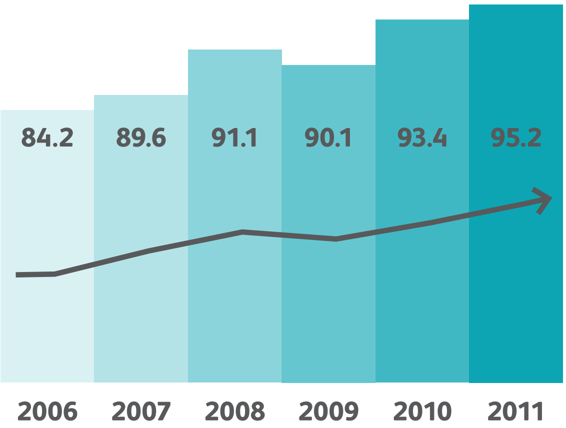


Fig 2: Customer satisfaction with overall service provided by Riverside %

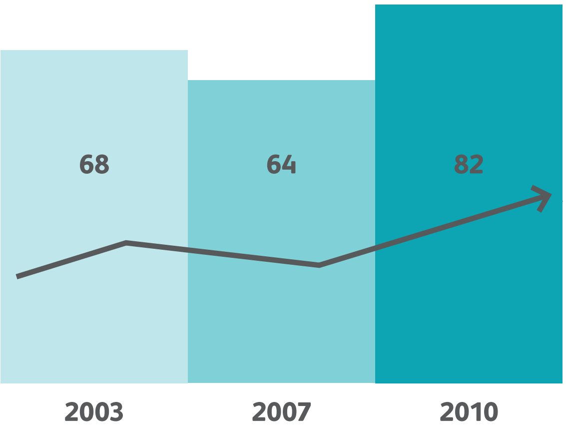
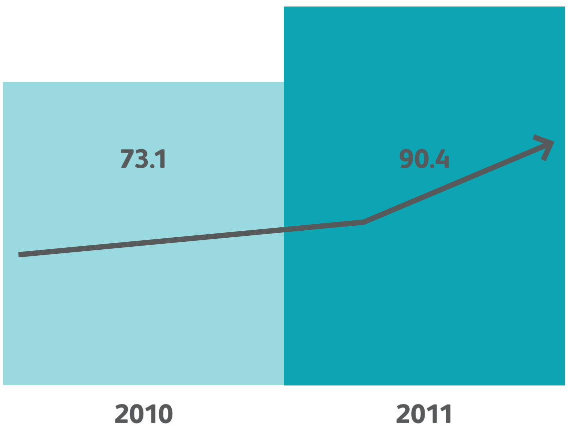


Fig 3: Aids and adaptations requests completed on target %



The Top 10 KPI's are reviewed annually to ensure they are relevant to the Group's aims and of the seven KPI's also monitored in 2010 improvements have been delivered for all with the exception of staff attendance which was marginally lower than the previous year.

Amongst the highlights of the year's performance is repairs appointments made and kept. **Fig 1.**

Tenants have indicated that this is one of the aspects of the repairs service which is particularly important to them so it is very pleasing to report the Group has once again continued to achieve an improvement in this area. Satisfaction with the quality of the repairs service provided is important as the Group continues its large scale partnering approach to the provision of repairs and maintenance as well as being one of the key drivers of overall customer satisfaction.

The Group's latest comprehensive customer satisfaction survey (STATUS) shows that 82% of our tenants said that they were satisfied with the services Riverside provides for them. **Fig 2.**

This achievement reflects the investment made in services, homes and neighbourhoods, and is a testimony to the effectiveness of excellent staff working closely with committed tenants and residents. Satisfaction with the value for money offered by rents has also steadily improved.

One of the Group key objectives is to support vulnerable tenants to live with dignity in their own homes and the Group has exceeded its targets in all of its specific measures, for example the percentage of supported clients who leave our services with improved outcomes which stands at 71% as well as delivering a significant improvement in the aids and adaptations requests completed within a 6 month target (90.4%). **Fig 3.**

In addition to the Top 10 KPI's two further performance highlights are the achievement of the Government's Decent Homes Standard and the success of Riverside's programme aimed at helping residents become more prosperous.

Homes in all areas now meet the Government's Decent Homes Standard, apart from 1,175 properties in North Bransholme, which were transferred to Riverside from Hull City Council at the end of November. A five year programme has begun there to bring all homes up to Decent Homes Standard.



Help has been provided to 667 residents who have received training and employment advice and 929 residents have accessed financial and welfare benefits advice. In both instances these numbers are almost double the internal targets set.

These only represent performance 'headlines' and a much broader range of activities are measured. More information on performance is posted on the Group website at www.riverside.org.uk

Dynamics of the Group

The Group faces a number of key risks that could impact on future performance. The process for identification of risk is described in the report of the Board. The main risks that may confront the Group include:

- public sector spending restraints on both revenue and capital income streams
- the impact of the welfare reforms affecting tenants ability to pay
- the ability to increase rents for new lettings to 80% of market values
- continuing limitations on the availability of mortgage finance for home buyers
- increased pressure on services from an ageing tenant base, due to longer life expectancies
- changes in the Supporting People income regime
- requirements to fund future pension liabilities
- changes to Decent Home Standards and Eco-homes ratings.

As part of its risk management process the Group has allocated actions, as appropriate, to attempt to mitigate these risks.

Investment for the future

There are significant challenges facing Registered Providers of affordable housing and the protection of Riverside's robust financial health is more important than ever. The excellent financial results and improvements in performance enable investment to ensure continuing financial stability, improvements to services and the development of new homes.
The results also serve to maintain the confidence the Group's funders have in the organisation and help protect against the unexpected.

The Group remains committed to its vision of "transforming lives and revitalising neighbourhoods" and the surplus delivered over the last financial year combined with a business plan that reflects the current operating environment and associated risks ensure the Group remains well placed for the successful achievement of this vision.

Capital structure and treasury policy

Effective treasury risk management is essential for both financial performance and balance sheet stability. Treasury management is operated centrally in accordance with Board approved objectives and operating parameters, set out in the Group treasury policy and a treasury strategy which is revised annually.

Key issues the treasury strategy seeks to address are funding and liquidity risk, interest rate risk, covenant compliance and exposure to counterparties. The Group borrows at both fixed and floating interest rates. Derivative instruments are used to manage its exposure to interest rate fluctuations. Strategies are tested by business plan sensitivities and are developed through a process of regular review and refinement. Regular updates on all treasury activities are given to the Group Finance Committee.

Group borrowings total £618m (2010: £608m). The movement reflects loans drawn to fund stock development and improvement, net of scheduled debt repayments. New debt drawn in the year totalled £19.6m (2010: £13.2m). Interest costs remained in line with last year at £34.4m (2010: £34.3m). The average rate of interest paid in the year was 5.6% (2010: 5.5%).

The Group aims to minimise cash held whilst ensuring that sufficient loan facilities are available to finance a minimum of one year's cash flow. At the year end the Group had £136m of unutilised committed borrowing facilities.

Value for money

Riverside is committed to adopting a comprehensive approach to managing its resources to provide cost effective, quality services and homes that meet tenants' and potential tenants' needs.

The achievement of value for money is defined by reference to customer priorities, which Riverside aims to meet with an optimum balance of economy, efficiency and effectiveness. Value for money is dealt with as part of service review and improvement processes, with outcomes built into existing business management practice, integrating benchmarking, cost analysis/reduction and performance improvement.

Areas reviewed this year include the operating structure of Riverside ECHG, in order to reflect the changing requirements of the sheltered and supported sectors, and the continued development of the new Finance Service Centre.

Going concern

After due consideration, the Board is confident that The Riverside Group has adequate resources to continue in operational existence for the foreseeable future. Accordingly, it continues to adopt the going concern basis in preparing The Riverside Group's financial statements.

Statement of compliance

The form and content of the operating and financial review has been prepared in line with the recommended practice provided by the Statement of Recommended Practice 'Accounting for Registered Social Landlords 2008'. The statement has also been prepared in accordance with Reporting Standard 1 (Operating and Financial Review).

J E Baggaley
Group Deputy Chief Executive &
Group Finance Director

Report of the Board

The Board is pleased to present its report and the audited consolidated financial statements for the year ended 31 March 2011.

Principal activity

The Riverside Group Limited is an Industrial and Provident Society incorporated under the Industrial and Provident Society Act 1965 and is the ultimate holding company within a group structure ('The Riverside Group'). It is registered with The Tenant Services Authority as a Registered Provider of social housing as defined by the Housing and Regeneration Act 2008. Details of members of The Riverside Group are given on page 53 of these financial statements.

The Riverside Group Limited is responsible for establishing The Riverside Group's overall policies and strategies, for monitoring compliance with Group values and performance against Group targets, within a clearly defined framework of delegation and system of control.

The Riverside Group Limited oversees the work of The Riverside Group, providing a number of corporate services to Group members.

The principal activity of The Riverside Group is the provision of affordable homes for rent and shared ownership, together with housing support for vulnerable and elderly residents.

Post balance sheet events

The Board confirm that there have been no events since the financial year end that have had a material effect on the financial position of the Group.

Review of business and future developments

The review of business and future developments is discussed in the Group Chairman's statement and the operating and financial review on pages 10 to 16.

The Board of the Riverside Group Limited

The Board members of The Riverside Group Limited are listed on page 4. The Board members holding office during the period 1 April 2010 to 7 July 2011 are detailed below:

— P Brant LLB (Hons) BL

— P J Han

— S Jee BSc (Hons) FCA (Appointed 1 April 2010)

— A M Jones

— P H Raw FRICS FBEng MFPWS

— M Steinberg OBE FRSA

— Professor J N Tarn OBE DL FRIBA (Resigned 30 April 2010)

— Y Turgut BSc (Hons) MSc FCA

In accordance with the rules, P Brant, P J Han and A M Jones retire at the Annual General Meeting, and being eligible, offer themselves for re-election.

During the year payments made to Board Members were £83k (2010: £81k).

Payment of Group Chair and Group Board members is calculated by taking into account the size of the Group and industry norms. The payments made are 0.04% of the annual turnover.

The Board carries out an annual appraisal of its performance and an annual appraisal of individual board members. The Chair is appraised by an external consultant every other year. The Board reviewed the scheme of remuneration in 2010 and concluded that the present scheme remains appropriate.

Group Directors

Whilst the Board is responsible for The Riverside Group's overall policy and strategy, management is delegated to the Group Chief Executive. The Group Directors are the senior management team and act as executives within the authority delegated by the Board. They meet formally under the chairmanship of the Group Chief Executive in order to consider all major management issues.

This meeting is a key decision making forum for the management of The Riverside Group, reviewing all proposed policy changes and performance across the Group.

The Group Directors hold no interest in the share capital of any member of The Riverside Group.

Corporate governance

The Board is committed to integrity and accountability in the stewardship of The Riverside Group's affairs. The National Housing Federation (NHF) Code of Governance is a Riverside Group policy requirement underpinning all governance issues. Riverside chose this code because it is tailored to the housing sector, it is a widely recognised example of best practice, and is approved by the TSA. The Riverside Group complies with the NHF Code of Governance (July 2010 revision) except that, to allow an appropriate balance between renewal and continuity, the Chair of the Board may be requested to extend his or her service as Chair for a limited period; and that, to promote a culture of openness, Audit Committees within Riverside meet with staff present.

The Group has reviewed its governance in 2010-11, including roles, responsibilities and accountabilities of the Board, Chair and Chief Executive and is satisfied that its arrangements are clear and effective.

The external auditors have undertaken non-audit work for the Group during the year ended 31 March 2011.

More information about the level of fees paid for this work is set out in note 9 to the financial statements.

The Group Audit Committee has a protocol with the external auditors, which sets out policies for determining what non-audit work can be undertaken by the external auditors and procedures for periodic review and selection of external auditors.

Corporate role of the Board

The Board comprises seven non-executive Board members, together with C J Kennefick a non executive Board member, the Group Chief Executive and the two Group Deputy Chief Executives who are co-opted executive members.

Terms of reference are issued to the Board. Board members act in the interest of The Riverside Group and not on behalf of any interest group.

The principal obligations of the Board to The Riverside Group are to:

- be committed to the values and objectives of The Riverside Group
- develop strategy and implement The Riverside Group's core policies
- uphold the NHF Code of Governance
- represent The Riverside Group and enhance its profile externally.

The Board is drawn from a wide background and its members are selected to ensure that they bring relevant experience, skills and understanding to the discussions and decision making process of the Board. A system of regular appraisal is in place, both in relation to individual members and the Board as a whole.

The Board meets formally six times a year for regular business, including approval of the budget and business plan. Board members also attend an annual conference to discuss future strategy. Also in attendance at Board meetings are the other Group Directors and the Assistant Company Secretary.

Reporting to the Board are the Group Membership Committee, the Group Finance Committee, the Group Audit Committee and the Remuneration Committee.

Group Membership Committee

The Group Membership Committee is a non-executive committee. It considers Board appointments, including co-options, and submits recommendations to the Board.

A range of recruitment techniques are used to secure a wide choice of candidates for vacancies on the Board, including advertising externally. It comprises P Brant (Chair), S Jee, P H Raw and M Steinberg.

Group Finance Committee

The Group Finance Committee is a non-executive committee and meets four times a year. Its members are S Jee (Chair), P Brant, P J Han and Y Turgut (appointed 7 April 2011). It recommends to the Board the adoption of the annual financial statements, and addresses matters that may have a significant financial impact on the Group.

Group Audit Committee

The Group Audit Committee is a non-executive committee and meets four times a year, addressing internal and external audit issues. Its members are P J Han (Chair), S Jee, N Rimmer, who is a member of the Residents and Tenants group and M D Taylor, Treasurer of Mersey South divisional board.

Remuneration Committee

The Remuneration Committee is a non-executive committee. Its members are P Brant, S Jee and C J Kennefick. It agrees the appointment of Group Directors and their remuneration, after taking external advice. The Directors are not present at the meeting when their salaries are determined. It also agrees the brief within which the Group Chief Executive can negotiate staff salaries with the union, Unite.

J Green, an independent director of Human Resources joins the Committee as the Chair to consider non-executive remuneration. The Committee also takes specialist human resources advice from external consultants as appropriate.

The following two administrative committees advise the Group Board. Their membership is drawn from Divisional Boards.

Group Investment Committee
The Group Investment Committee has two functions:

- the scrutiny and evaluation of historic investment
- consideration of the shape of future programmes of investment.

Housing Services Committee
The Housing Services Committee has the following functions:

- performance oversight of general needs housing services
- development of housing policy and the Group-wide continuous improvement framework
- promoting a Group-wide culture of excellence and the sharing of best practice
- acting as conduit between Group Board and Divisions.

Internal controls assurance

The Board has reviewed the effectiveness of the system of internal control for the year ended 31 March 2011 and to the date of approval of these financial statements. The Board complies with the requirements set out in Circular 07/07 Internal Controls Assurance issued by the Regulator ('the Circular'). This statement of compliance with the Circular has been reviewed by the auditors and their report is given on page 23. For the year ended 31 March 2011, the Board can make the following statement required by the above Circular.

- The Board is the ultimate governing body and is responsible for the Group's system of internal control.
- The system is designed to provide the Board with reasonable but not absolute assurance that problems are identified on a timely basis and dealt with appropriately; that assets are safeguarded against unauthorised use or disposition; that proper accounting records are maintained; and that the financial information used within the business or for publication is reliable. Control is exercised through an organisational structure with clearly defined levels of responsibility and authority and appropriate reporting procedures.
- The identification of major business risks, and the appropriate response, is ongoing through a bottom up risk management process that involves staff across the Group. This process has been in place for the year ended 31 March 2011 and to the date of approval of these financial statements. Risk maps are reviewed by the Group Directors and approved by the Group Audit Committee.
- On reviewing the effectiveness of the Group's system of internal control, the Board has considered the following:
  - management reports on operational and financial matters
  - key performance indicators
  - management assurances on internal controls
  - risk management activities
  - internal audit reports (including Fraud and Loss Register)
  - quality management systems
  - external audit reports
  - external regulatory reports.
- Group policies have been established in the following areas:
  - governance
  - equality and diversity
  - finance (including anti-fraud)
  - human resources management
  - customer care and information
  - health and safety
  - procurement
  - risk management
  - growth
  - environment.
- The anti-fraud policy sets out the commitment to preventing fraud. All staff are responsible for ensuring that systems of internal control are operated effectively. Confidential reporting arrangements are in place to allow staff to voice their concerns and know that they will be properly investigated.
- The Riverside Group has a written code on business ethics which sets out guidelines for all staff to ensure the highest standards of conduct in business dealings and this has been adopted throughout the Group, in addition to the NHC "Excellence in Standards of Conduct" code for members with which the Group complies.
- The Board has led on the strategy and action plan to ensure compliance with the provisions of the Bribery Act.

- During the year there were no identified weaknesses in internal controls which resulted in material losses, contingencies or uncertainties that require disclosure in these financial statements.

Statement of the Board's responsibilities in respect of the Board's report and the financial statements

The Board is responsible for preparing the Board's Report and the financial statements in accordance with applicable law and regulations.

Industrial and Provident Society law requires the Board to prepare financial statements for each financial year. Under those regulations the Board has elected to prepare the financial statements in accordance with UK Accounting Standards.

The financial statements are required by law to give a true and fair view of the state of affairs of the Group and Association and of the surplus or deficit for that period.

In preparing these financial statements, the Board is required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards and the Statement of Recommended Practice have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and Association will continue in business.

The Board is responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the Group and Association and enable them to ensure that its financial statements comply with the Industrial and Provident Societies Acts 1965 to 2003 and the Industrial and Provident Societies (Group Accounts) Regulations 1969, the Housing and Regeneration Act 2008 and the Accounting Requirements for Registered Social Landlords General Determination 2006. The Board has general responsibility for taking such steps as are reasonably open to it to safeguard the assets of the Group and Association and to prevent and detect fraud and other irregularities.

The Board is responsible for the maintenance and integrity of the corporate and financial information included on the Group's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Employees

The Riverside Group's policy is to consult directly with employees through regular team meetings and through negotiation and consultation with the union, Unite. Additional information is given through internal communication systems.

Emphasis is placed on training for all staff using both internal and external facilities to encourage staff in personal development.

Suitable procedures are in operation to support The Riverside Group's policy that disabled persons shall be considered for employment and subsequent training, career development and promotion on the basis of their aptitudes and abilities.

Equality and diversity

The Riverside Group's policies reflect its commitment to equality and the value it places on diversity in all aspects of its work.

Financial contributions to housing related work

Contributions by The Riverside Group to housing related activities during the year totalled £nil (2010: £nil). No donations for political purposes were made during the year.

Policy on payment of creditors

In the absence of any dispute, The Riverside Group's policy is to pay non-development invoices within 30 days of the date of approval of the invoice. Development creditors, paid under certificate, are settled within 21 days of the valuation date.

Changes in fixed assets

The movements in fixed assets during the year are set out in note 11 to the financial statements.

Severance and redundancy payments

The total amount of severance and redundancy payments made during the year was £1.7m. This was a result of a restructure in ECHG and in Group Finance, where a Finance Service Centre was created in Head Office.

Single European currency

The accounting system is capable of accommodating the Euro.

Tenant involvement

The Board actively encourages tenants' involvement in decision making by promoting formal and informal mechanisms of tenant involvement; effective engagement with tenants provides serious scrutiny of Riverside's performance.

There is a tenant member on the Group Board and another who sits as observer. There are over 30 tenants actively involved in governance through their roles as divisional Board members.

The Tenants' and Residents' Federation consider changes to policies and strategies across Riverside, assess the quality of service delivery and commission tenant inspections of the Group's work. Locally, tenants and residents meet in Neighbourhood Forums working with staff and local partners to consider and address service improvements.

Investment power

The Group's Rules permit investment of monies not immediately required to carry out its objectives, as it determines and is permitted by law.

Annual General Meeting

The Annual General Meeting will be held on 26 September 2011.

Auditors

A resolution to re-appoint the auditors KPMG LLP will be put to the Annual General Meeting.

P Brant
Group Chairman
7 July 2011

Report of the independent auditors

to the members of The Riverside Group Limited

We have audited the financial statements of The Riverside Group Limited (the Group) and the Association for the year ended 31 March 2011 set out on pages 24 to 79. The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice).

This report is made solely to the Group's members, as a body, in accordance with section 128 of the Housing and Regeneration Act 2008 and section 9 of the Friendly and Industrial and Provident Societies Act 1968. Our audit work has been undertaken so that we might state to the Group's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Group and the Group's members, as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the Board and auditor

As more fully explained in the Statement of Board's Responsibilities set out on pages 21 and 22, the Group's Board is responsible for the preparation of financial statements which give a true and fair view. Our responsibility is to audit, and express an opinion on, the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the APB's website at www.frc.org.uk/apb/scope/private.cfm

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view, in accordance with UK Generally Accepted Accounting Practice, of the state of affairs of the Group and Association as at 31 March 2011 and of its surplus for the year then ended; and
- have been properly prepared in accordance with the Industrial and Provident Societies Acts 1965 to 2003, the Industrial and Provident Societies (Group Accounts) Regulations 1969, the Housing and Regeneration Act 2008 and the Accounting Requirements for Registered Social Landlords General Determination 2006.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Industrial and Provident Societies Acts 1965 to 2003 and the Industrial and Provident Societies (Group Accounts) Regulations 1969 require us to report to you if, in our opinion:

- a satisfactory system of control over transactions has not been maintained; or
- the Group has not kept proper accounting records; or
- the financial statements are not in agreement with the books of account; or
- we have not received all the information and explanations we need for our audit.

M Newsholme for and on behalf of KPMG LLP
Statutory Auditor
Chartered Accountants
St James' Square
Manchester
M2 6DS

Group income and expenditure account

for the year ended 31 March 2011

	Notes	**2011 £'000**	2010 £'000
Turnover: Group and share of joint venture		**257,277**	258,398
Less: share of joint venture turnover		**(497)**	(1,138)
Group turnover	2	**256,780**	257,260
Operating costs	2	**(213,883)**	(238,280)
Group operating surplus	2	**42,897**	18,980
Share of operating loss in joint ventures		**(203)**	(46)
Surplus on sale of property	6	**7,384**	27,029
Surplus on ordinary activities before interest	9	**50,078**	45,963
Interest receivable and other income	7	**2,357**	2,682
Interest payable and similar charges	8	**(34,404)**	(34,271)
Surplus on ordinary activities before tax		**18,031**	14,374
Taxation	10	**343**	528
Share of joint venture taxation		**(5)**	(13)
Surplus for the year		**18,369**	14,889
Income and expenditure account at 1 April 2010		**108,936**	89,653
Surplus for the year		**18,369**	14,889
Transfer to reserves	20	**(31,136)**	(24,233)
Transfer from reserves	20	**27,852**	21,739
Amortisation of negative goodwill	20	**—**	—
Actuarial gain / (loss) on pension scheme	20 & 26	**8,373**	(18,948)
Consolidation adjustment on amalgamation	20	**367**	25,836
Income and expenditure account at 31 March 2011		**132,761**	108,936

All of the above results derive from continuing operations.

There is no material difference between the surplus on ordinary activities before tax and the surplus for the year as reported and their historical cost equivalent.

The notes on pages 32 to 79 form an integral part of the financial statements.

There are no historical cost surpluses or deficits other than those recognised within the income and expenditure account.

Group statement of total recognised surpluses and deficits

for the year ended 31 March 2011

	Notes	2011 £'000	2010 £'000
Surplus for the financial year		**18,369**	14,889
Actuarial gain / (loss) on pension scheme	20 & 26	**8,373**	(18,948)
Consolidation on amalgamation	20	**610**	(123,661)
Revaluation of investments	20	**1,037**	1,994
Transferred to intangible assets		**—**	405
Donations received	20	**11**	—
Total recognised surplus relating to the year		**28,400**	(125,321)

Group reconciliation of movement of funds

for the year ended 31 March 2011

		2011 £'000	2010 £'000
Total recognised surplus / (deficit)		**28,400**	(125,321)
Total funds at 1 April 2010	20	**182,941**	308,262
Total funds at 31 March 2011	20	**211,341**	182,941

The notes on pages 32 to 79 form an integral part of the financial statements.

Group balance sheet

as at 31 March 2011

	Notes	**2011** £'000	**2011** £'000	2010 £'000	2010 £'000
Fixed assets					
Intangible assets:					
Goodwill			**—**		1,389
Tangible assets	11		**1,613,546**		1,555,459
Social Housing Grant	11		**(841,143)**		(811,851)
Investments	12		**24,036**		23,173
Investment in joint ventures					
Group share of gross assets of joint ventures	12	**731**		556	
Group share of gross liabilities of joint ventures	12	**(666)**		(445)	
			65		111
			796,504		768,281
Debtors: amounts receivable after more than one year	13		**39,217**		15,717
Current assets					
Investments	12		**22,763**		19,726
Debtors	13		**98,291**		86,431
Properties for sale	14		**53,668**		48,738
Cash at bank and in hand			**9,123**		34,570
			183,845		189,465
Creditors: amounts falling due within one year	15		**(131,459)**		(128,670)
Net current assets			**52,386**		60,795
Total assets less current liabilities			**888,107**		844,793
Creditors: amounts falling due after more than one year	16		**621,453**		616,030
Deferred income	19		**262**		315
Provisions for liabilities and charges	28		**55,051**		45,507
Capital and reserves					
Non-equity share capital	1		**—**		—
Consolidation reserve (negative goodwill)	20		**382**		382
Designated reserves	20		**78,198**		73,623
Income and expenditure account	20		**132,761**		108,936
			888,107		844,793

The financial statements on pages 24 to 79 were approved by the Board on 7 July 2011 and were signed on its behalf by:

— P Brant, Group Chairman

— S Jee, Group Treasurer

— J E Baggaley, Group Deputy Chief Executive & Group Finance Director

— L F McCracken, Secretary

The notes on pages 32 to 79 form an integral part of the financial statements.

Group cash flow statement

for the year ended 31 March 2011

	2011		2010	
	£'000	**£'000**	£'000	£'000
Net cash inflow from operating activities (note 21)		**56,068**		59,477
Returns on investments and servicing of finance				
Interest received	**2,232**		2,475	
Interest paid	**(36,717)**		(32,422)	
Net cash outflow from returns on investments and servicing of finance		**(34,485)**		(29,947)
Taxation				
Tax paid		**(21)**		6
Capital expenditure and financial investment				
Cash paid for housing construction	**(93,554)**		(69,731)	
Cash paid for other fixed assets	**(4,453)**		(2,191)	
Cash received for fixed asset investments	**61**		1,031	
Expenditure on capitalised improvements	**(21,778)**		(35,877)	
Social Housing Grant received	**31,077**		35,596	
Receipts from property sales	**34,936**		64,870	
Net cash outflow from capital expenditure and financial investment		**(53,711)**		(6,302)
Management of liquid resources				
Decrease in short term deposits	**(3,037)**		(5,668)	
Net cash outflow from management of liquid resources		**(3,037)**		(5,668)
Net cash (outflow)/inflow before financing		**(35,186)**		17,566
Financing				
Loans raised	**19,603**		13,187	
Loan principal repayments	**(9,864)**		(12,225)	
Net cash inflow from financing		**9,739**		962
(Decrease)/increase in cash (note 22)		**(25,447)**		18,528

The notes on pages 32 to 79 form an integral part of the financial statements.

Association income and expenditure account

for the year ended 31 March 2011

	Notes	**2011 £'000**	2010 £'000
Turnover	2	**247,291**	250,400
Operating costs	2	**(205,227)**	(230,040)
Operating surplus	2	**42,064**	20,360
Surplus on sale of property	6	**7,296**	27,029
Surplus on ordinary activities before interest	9	**49,360**	47,389
Interest receivable and other income	7	**2,760**	2,906
Interest payable and similar charges	8	**(32,679)**	(32,668)
Surplus for the year before taxation		**19,441**	17,627
Taxation	10	**—**	(68)
Surplus after taxation		**19,441**	17,559
Transfer to reserves	20	**(31,136)**	(24,233)
Transfer from reserves	20	**27,852**	21,739
Surplus for the year		**16,157**	15,065
Income and expenditure account at 1 April 2010		**121,258**	125,141
Actuarial gain / (loss) in pension scheme	20	**8,373**	(18,948)
Income and expenditure account at 31 March 2011		**145,788**	121,258

All of the above results derive from continuing operations.

The notes on pages 32 to 79 form an integral part of the financial statements.

There are no historical cost surpluses or deficits other than those recognised within the income and expenditure account.

£

Association statement of total recognised surpluses and deficits

for the year ended 31 March 2011

	Notes	**2011 £'000**	2010 £'000
Surplus for the financial year		**19,441**	17,559
(loss) in pension scheme	20 & 26	**8,373**	(18,948)
Revaluation of investments	20	**1,037**	1,994
Reclassification of reserves		**—**	(49)
Donation received		**11**	—
Total recognised surplus relating to the year		**28,862**	556

£

Reconciliation of movements in funds

for the year ended 31 March 2011

	Notes	**2011 £'000**	2010 £'000
Total recognised surplus		**28,862**	556
Total funds at 1 April 2010	20	**195,447**	194,891
Total funds at 31 March 2011		**224,309**	195,447

The notes on pages 32 to 79 form an integral part of the financial statements.

Association balance sheet

as at 31 March 2011

	Notes	**2011 £'000**	2010 £'000
Fixed assets			
Tangible assets	11	**1,613,633**	1,555,544
Social Housing Grant	11	**(841,051)**	(811,759)
Investments	12	**23,969**	35,171
		796,551	778,956
Debtors: amounts receivable after more than one year	13	**55,516**	26,000
Current assets			
Properties for sale	14	**23,473**	22,319
Debtors	13	**97,827**	81,324
Investments	12	**22,763**	19,725
Cash at bank and in hand		**7,450**	33,057
		151,513	156,425
Creditors: amounts falling due within one year	15	**(130,702)**	(133,824)
Net current assets		**20,811**	22,601
Total assets less current liabilities		**872,878**	827,557
Creditors: amounts falling due after more than one year	16	**593,256**	586,288
Deferred income	19	**262**	315
Provisions for liabilities and charges	28	**55,051**	45,507
Capital and reserves			
Non-equity share capital	1	**—**	—
Designated reserves	20	**73,719**	70,424
Restricted reserves	20	**4,802**	3,765
Income and expenditure account	20	**145,788**	121,258
		872,878	827,557

The financial statements on pages 24 to 79 were approved by the Board on 7 July 2011 and were signed on its behalf by:

- — P Brant, Group Chairman
- — S Jee, Group Treasurer
- — J E Baggaley, Group Deputy Chief Executive and Group Finance Director
- — L F McCracken, Secretary

The notes on pages 32 to 79 form an integral part of the financial statements.

Notes to the financial statements*

for the year ended 31 March 2011

*All notes relate to The Riverside Group unless otherwise stated.

1 Principal accounting policies

The financial statements are group statements and consolidate the financial statements of The Riverside Group Limited and its subsidiary undertakings.

Basis of accounting
The financial statements have been prepared under the historical cost convention, and in accordance with applicable United Kingdom Accounting and Financial Reporting Standards and the Statement of Recommended Practice for Registered Social Landlords issued in 2008. The financial statements are in accordance with the Housing and Regeneration Act 2008 and comply with the Accounting Requirements for Registered Social Landlords General Determination 2006. The accounting policies adopted have been applied consistently year on year.

Basis of consolidation
The financial statements are group statements and consolidate the financial statements of The Riverside Group Limited and its subsidiary undertakings. The financial statements have been prepared in accordance with FRS 2 'Accounting for Subsidiary Undertakings'.

The consolidated income and expenditure account includes the results of the Group's equity interests and results of the Group's joint ventures in accordance with FRS 9 'Associates and Joint Ventures'.

Details of subsidiaries and joint ventures are included in note 12 to the financial statements.

Supported housing
In addition to its own directly managed supported housing schemes, The Riverside Group owns a number of schemes that are run by outside agencies. Where The Riverside Group carries the financial risk all the scheme's income and expenditure is included in the income and expenditure account. Where the agency carries the financial risk only the income and expenditure which relates solely to The Riverside Group is included. Other income and expenditure of schemes in this category is excluded from the income and expenditure account.

Supporting People Contract Income
Supporting People ('SP') contract income received from Administering Authorities is accounted for as SP income in the turnover in note 2 to the financial statements. The related support costs are matched against this income.

Turnover
Turnover comprises rental and service charge income receivable, certain revenue grants from local authorities and the Homes and Communities Agency together with other income.

Retirement benefits
The Group operates a group pension scheme, contributes to local government pension schemes and the Social Housing Pension Scheme (SHPS). All are defined benefit schemes. The assets of the schemes are held separately from those of the Group. The Group also contributes to defined contribution schemes.

The assets of the pension schemes are measured using market values. The liabilities of the pension schemes are measured using a projected unit method discounted at the current rate of return on a high quality corporate bond of equivalent term and currency to the liabilities.

Due to the nature of SHPS, it is not possible to identify the share of underlying assets and liabilities belonging to individual participating employers. As a result, no surplus or deficit is included in the financial statements and the accounting charge for the period is represented by the employer contribution payable.

Excluding SHPS, the surpluses of the pension schemes (to the extent that they are recoverable) or deficits are recognised in full. The movements in the schemes' surpluses/deficits are included in the income and expenditure account and shown in the statement of total recognised surpluses and deficits, under the heading actuarial gains and losses.

Fixed assets
Tangible fixed assets are stated at cost less accumulated depreciation. The cost of housing land and properties comprises purchase price together with incidental costs of acquisition and improvements, including related administration charges.

Housing properties are principally properties available for rent. Cost includes the cost of acquiring the land and buildings, development costs and expenditure incurred in respect of improvements.

Depreciation and impairment
Depreciation is charged on a straight line basis over the expected useful economic lives of the assets at the following rates:

- — housing properties (newbuild) over 100 years to residual value
- — housing properties (rehabilitated) over 50 years to residual value
- — freehold and long leasehold offices over 15 years to residual value
- — fixtures and fittings over 10 years
- — IT equipment over 3 to 5 years
- — setting up costs (included within housing properties) over 10 years
- — leasehold improvements over the term of the lease.

Assets in the course of construction are held at cost and are not depreciated until reclassified as housing properties completed.

An annual impairment review of housing properties is undertaken in accordance with FRS 11 'Impairment of Fixed Assets and Goodwill', and where appropriate the carrying value is adjusted to take account of permanent diminutions in value.

First tranche shared ownership sales
Shared ownership properties are split proportionally between current and fixed assets based on the first tranche proportion. First tranche proportions are accounted for as current assets and the related sales proceeds shown in turnover. The remaining element of the shared ownership property is accounted for as a fixed asset so that any subsequent sale is treated as a part disposal of a fixed asset.



Amortisation of goodwill

Goodwill arising on the acquisition of subsidiaries represents the excess of the fair value of the identifiable net assets acquired over the fair value of the consideration given and is included in reserves.

Goodwill is recognised in the income and expenditure account in the periods in which the non-monetary assets are recovered, whether through depreciation or sale.

Improvements to property

Expenditure incurred on general repairs to housing properties is charged to the income and expenditure account in the year in which it is incurred.

Expenditure on improvements to existing housing properties which will generate increased future rents or otherwise add to the value is capitalised as part of the cost of the properties.

Pre-contract costs

Costs incurred in bidding for and securing contracts for the supply of products and services under the Private Finance Initiative are recognised as expenses incurred up to the date of announcement of preferred bidder. Where the Group is successful in attaining preferred bidder status, those costs incurred after attaining preferred bidder status that are directly attributable to the contract are recognised as an asset.

Properties for sale

Completed properties for outright sale and property under construction are valued at the lower of cost and net realisable value. Cost comprises materials, direct labour and direct development overheads. Net realisable value is based on estimated sales price after allowing for all further costs of completion and disposal.

Social Housing Grant

Where developments have been financed wholly or partly by Social Housing Grant (SHG) and other capital subsidies, the cost of these developments has been reduced by the amount of the grant received. SHG received in excess of current development costs is shown as a current liability.

SHG received for items of cost written off in the income and expenditure account is matched against those costs. When properties are demolished, with the intention of redevelopment, a contingent liability is recognised related to the repayment of SHG.

If a property is sold, SHG may be repayable but is normally available to be recycled and is credited to a Recycled Capital Grant Fund or Disposal Proceeds Fund and included in the balance sheet in creditors.

Other grants

Other grants are receivable from local authorities and other organisations. Capital grants are utilised to reduce the capital cost of housing properties, including land costs. Grants in respect of revenue expenditure are credited to the income and expenditure account in the same period as the expenditure to which they relate.

Capitalisation of administration costs

Administration costs relating to development activities are capitalised only to the extent that they are directly attributable to the development process and in bringing the properties into their intended use.

Investments

Fixed asset investments are stated at market value.

Investment properties are carried at the lower of cost and net realisable value, and in accordance with SSAP 19 'Accounting for Investment Properties' are revalued annually.

Current asset investments are stated at cost.

Liquid resources

Liquid resources are readily disposable current asset investments, which include some money market deposits, held for more than 24 hours that can only be withdrawn without penalty on maturity, or by giving notice of more than one working day.

Value Added Tax

The Riverside Group is partially exempt in relation to Value Added Tax (VAT), and accordingly is able to recover from HM Revenue and Customs part of the VAT incurred on expenditure. At the year end VAT recoverable or payable is included in the balance sheet. Irrecoverable VAT is accounted for in the income and expenditure account.

Taxation

The charge for taxation is based on the surplus or deficit for the year and takes into account deferred taxation arising from timing differences between the treatment of certain items for taxation and accounting purposes.

Leased assets

Rentals payable in respect of operating leases are charged to the income and expenditure account on a straight-line basis over the lease term.

Work in progress

Work in progress on developments for sale is stated at the lower of cost and net realisable value.

Loan issue costs and interest payable

The cost of raising loans is amortised over the period of the loan.

The deferred cost is offset against the liability and included within creditors: amounts falling due after more than one year, in accordance with FRS 4 'Capital Instruments'.

Loan interest payable is charged to the income and expenditure account at the relevant rates based on the carrying amount of the debt.

Designated reserves

These represent reserves earmarked for a specific use and are not part of free reserves.

Charitable reserve

This reserve represents donations and legacies received for which expenditure has not yet been incurred.

Some of the funds have restricted use, but the non-restricted funds in the reserve are available to meet expenditure that falls within the Group's objectives for which statutory or other finance is not available.

Consolidation reserve

This represents the excess of the fair value of assets acquired over the consideration given in respect of the identifiable assets and liabilities acquired. The reserve is amortised to the income and expenditure account in the periods in which the non monetary assets are recovered, whether through depreciation or sale.

Derivatives

The Group applies the provisions of FRS 13 'Derivatives and other Financial Instruments' in the treatment of financial instruments and derivatives. The Group uses interest rate swaps to reduce exposure to future increases in interest rates on floating rate loans. The notional principal is not reflected in the Group's balance sheet. Payments made under swaps are accrued over the payment period on a straight line basis and adjusted against interest payable on loans.

Non-equity share capital

The Riverside Group Limited is an Industrial and Provident Society incorporated under the Industrial and Provident Society Act 1965 with 20 £1 ordinary shares in issue. In the event of a winding up, the liability of individual members to contribute towards the liabilities of the company shall not exceed £1.

2 Turnover, operating costs and operating surplus

Group 2011	Turnover £'000	Cost of sales £'000	Operating costs £'000	Operating surplus/(deficit) £'000
Social housing activities				
Lettings (note 3)	**222,472**	**—**	**(186,260)**	**36,212**
Other social housing activities				
Development for sale	**2,717**	**(2,445)**	**—**	**272**
Management services	**1,394**	**—**	**(342)**	**1,052**
Community regeneration	**376**	**—**	**(4,427)**	**(4,051)**
Other	**16,283**	**—**	**(10,180)**	**6,103**
	243,242	**(2,445)**	**(201,209)**	**39,588**
Non-social housing activities				
Lettings	**4,249**	**—**	**(2,691)**	**1,558**
Developments for sale	**7,050**	**(7,100)**	**—**	**(50)**
Other	**2,239**	**—**	**(438)**	**1,801**
	13,538	**(7,100)**	**(3,129)**	**3,309**
Total	**256,780**	**(9,545)**	**(204,338)**	**42,897**

2010	Turnover £'000	Cost of sales £'000	Operating costs £'000	Operating surplus/(deficit) £'000
Social housing activities				
Lettings (note 3)	218,557	—	(202,004)	16,553
Other social housing activities				
Development for sale	3,640	(3,341)	—	299
Management services	1,057	—	(703)	354
Community regeneration	—	—	(4,618)	(4,618)
Other	25,466	—	(17,975)	7,491
	248,720	(3,341)	(225,300)	20,079
Non-social housing activities				
Lettings	2,635	—	(4,665)	(2,030)
Developments for sale	5,454	(4,974)	—	480
Other	451	—	—	451
	8,540	(4,974)	(4,665)	(1,099)
Total	257,260	(8,315)	(229,965)	18,980

2 Turnover, operating costs and operating surplus – continued

Association 2011

	Turnover £'000	**Cost of sales £'000**	**Operating costs £'000**	**Operating surplus/(deficit) £'000**
Social housing activities				
Lettings (note 3)	**222,452**	**—**	**(185,902)**	**36,550**
Other social housing activities				
Development for sale	**2,717**	**(2,445)**	**—**	**272**
Management services	**1,394**	**—**	**(342)**	**1,052**
Community regeneration	**376**	**—**	**(4,392)**	**(4,016)**
Other	**16,635**	**—**	**(10,758)**	**5,877**
	243,574	**(2,445)**	**(201,394)**	**39,735**
Non-social housing activities				
Lettings	**3,184**	**—**	**(1,372)**	**1,812**
Development for sale	**—**	**—**	**—**	**—**
Gift Aid	**467**	**—**	**—**	**467**
Other	**66**	**—**	**(16)**	**50**
	3,717	**—**	**(1,388)**	**2,329**
Total	**247,291**	**(2,445)**	**(202,782)**	**42,064**

2010

	Turnover £'000	Cost of sales £'000	Operating costs £'000	Operating surplus/(deficit) £'000
Social housing activities				
Lettings (note 3)	218,528	—	(201,147)	17,381
Other social housing activities				
Development for sale	3,640	(3,341)	—	299
Management services	1,057	—	(691)	366
Community regeneration	—	—	(4,575)	(4,575)
Other	25,093	—	(17,973)	7,120
	248,318	(3,341)	(224,386)	20,591
Non-social housing activities				
Lettings	705	—	(2,052)	(1,347)
Development for sale	325	(261)	—	64
Gift Aid	602	—	—	602
Other	450	—	—	450
	2,082	(261)	(2,052)	(231)
Total	250,400	(3,602)	(226,438)	20,360

3 Income and expenditure from social housing lettings

	Group General housing £'000	Supported housing £'000	Shared ownership £'000	Key worker housing £'000	**2011 Total £'000**	2010 Total £'000
Income from lettings						
Rent receivable net of identifiable service charges	126,741	34,087	2,746	1,176	**164,750**	166,952
Income for support services	2,011	24,947	—	66	**27,024**	22,489
Service charges receivable	4,275	21,893	163	232	**26,563**	26,957
Net rental income	**133,027**	**80,927**	**2,909**	**1,474**	**218,337**	216,398
Homes and Communities Agency grants for major repairs	800	—	—	—	**800**	747
Other revenue grants	155	3,180	—	—	**3,335**	1,412
Turnover from lettings	**133,982**	**84,107**	**2,909**	**1,474**	**222,472**	218,557
Expenditure on lettings						
Management	(25,781)	(16,988)	(322)	(173)	**(43,264)**	(36,061)
Services and support services	(5,855)	(45,742)	(433)	(370)	**(52,400)**	(51,805)
Routine maintenance	(43,391)	(6,996)	(15)	(240)	**(50,642)**	(55,298)
Major repairs expenditure	(19,907)	(8,280)	—	(37)	**(28,224)**	(41,787)
Bad debts	(995)	(383)	(32)	—	**(1,410)**	(1,641)
Depreciation of housing properties	(7,915)	(1,876)	(468)	(61)	**(10,320)**	(10,112)
Impairment of housing properties	—	—	—	—	—	(5,300)
Operating costs on lettings	**(103,844)**	**(80,265)**	**(1,270)**	**(881)**	**(186,260)**	(202,004)
Operating surplus on social housing lettings	**30,138**	**3,842**	**1,639**	**593**	**36,212**	16,553
Void loss	(1,240)	(1,989)	—	(3)	**(3,232)**	(3,908)

	2011 £'000	2010 £'000
Particulars of turnover from non-social housing lettings		
Student accommodation	**27**	698
Market rent	**4,222**	1,937
	4,249	2,635

3 Income and expenditure from social housing lettings – continued

	Association					
	General housing £'000	Supported housing £'000	Shared ownership £'000	Key worker housing £'000	**2011 Total £'000**	2010 Total £'000
Turnover from lettings						
Rent receivable net of identifiable service charges	126,741	34,067	2,746	1,176	**164,730**	166,923
Income for support services	2,011	24,947	—	66	**27,024**	22,489
Service charges receivable	4,275	21,893	163	232	**26,563**	26,957
Net rental income	**133,027**	**80,907**	**2,909**	**1,474**	**218,317**	216,369
Grants for major repairs	800	—	—	—	**800**	747
Other revenue grants	155	3,180	—	—	**3,335**	1,412
Turnover from lettings	**133,982**	**84,087**	**2,909**	**1,474**	**222,452**	218,528
Expenditure on lettings						
Management	(25,736)	(16,904)	(322)	(172)	**(43,134)**	(35,473)
Services and support services	(5,855)	(45,728)	(427)	(370)	**(52,380)**	(51,773)
Routine maintenance	(43,239)	(6,980)	(15)	(240)	**(50,474)**	(55,096)
Major repairs expenditure	(19,907)	(8,240)	—	(37)	**(28,184)**	(41,752)
Bad debts	(995)	(383)	(32)	—	**(1,410)**	(1,641)
Depreciation of housing properties	(7,915)	(1,876)	(468)	(61)	**(10,320)**	(10,112)
Impairment of housing properties	—	—	—	—	**—**	(5,300)
Operating costs on lettings	**(103,647)**	**(80,111)**	**(1,264)**	**(880)**	**(185,902)**	(201,147)
Operating surplus on social housing lettings	**30,335**	**3,976**	**1,645**	**594**	**36,550**	17,381
Void loss	(1,240)	(1,989)	—	(3)	**(3,232)**	(3,908)

	2011 £'000	2010 £'000
Particulars of turnover from non-social housing lettings		
Student accommodation	**27**	698
Market rent	**3,157**	7
	3,184	705

4 Directors' emoluments

The Directors are defined for the purpose of this note as the members of the Board and Group Directors of The Riverside Group Limited. Directors appointed after the end of the financial year are not included in the disclosure. This satisfies the definition included in the Accounting Requirements for Registered Social Landlords General Determination 2006. The Group Directors do not receive any chargeable benefits in kind other than company cars. The emoluments of the Directors are set out below.

	Group	
	2011	2010
	£'000	£'000
Emoluments (including pension contributions and benefits in kind)	**1,185**	1,197
Highest paid Director – Group Chief Executive Emoluments (excluding pension contributions)	**232**	238
Expenses reimbursed to Directors not chargeable to income tax	**11**	8

The number of executive Directors who received emoluments (excluding pension contributions) in the following ranges was:

	2011	2010
	Number	Number
£115,001 — £120,000	**1**	1
£120,001 — £125,000	**1**	—
£125,001 — £130,000	**—**	1
£140,001 — £145,000	**1**	1
£160,001 — £165,000	**1**	1
£165,001 — £170,000	**1**	—
£170,001 — £175,000	**—**	1
£230,001 — £235,000	**1**	—
£235,001 — £240,000	**—**	1
	6	6

4 Directors’ emoluments – continued

Certain Group Directors, including the Group Chief Executive, were required under their contracts of employment to retire at the age of 60; consequently, the benefits provided to them by The Riverside Group Pension Scheme were amended to reflect this commitment, which is not applicable to any other staff. In all other respects, the Group Chief Executive is an ordinary member of the CARE section of the scheme accruing benefits calculated on Career Average Revalued Earnings. The Group does not make any further contribution to an individual pension arrangement for the Group Chief Executive. Contributions were made to The Riverside Group Pension Scheme at a rate of 17.5 % of pensionable salary in 2011. This applies to all staff including Group Directors. Further details on the Scheme are given in note 26 to the financial statements.

The fees paid to non-executive Directors were:	**2011 £’000**	2010 £’000
P Brant	**23**	—
PR Deyes	**—**	18
PJ Han	**—**	—
S Jee	**18**	—
AM Jones	**9**	7
PH Raw	**13**	13
M Steinberg	**9**	9
JN Tarn	**2**	25
Y Turgut	**9**	9

5 Employee information

Staff numbers
The average number of persons (including the Group Directors) employed during the year was:

	Group	
	2011 Number	2010 Number
Full time equivalent	**2,354**	2,333

Staff costs (for the above persons)	**2011 £'000**	2010 £'000
Wages and salaries	**57,632**	56,596
Social security costs	**4,651**	4,651
Other pension costs	**4,098**	4,485
	66,381	65,732

Staff costs and numbers referred to above relate to all staff employed by The Riverside Group, but exclude staff costs and numbers employed by the managing agents at supported housing schemes.

	Association	
	2011 Number	2010 Number
Full time equivalent	**2,338**	2,324

Staff costs (for the above persons)	**2011 £'000**	2010 £'000
Wages and salaries	**57,274**	56,454
Social security costs	**4,614**	4,639
Other pension costs	**4,090**	4,478
	65,978	65,571

6 Surplus on sale of property

	Group 2011 £'000	Group 2010 £'000
Proceeds of sales	**40,454**	65,128
Cost of sales	**(33,070)**	(38,099)
Surplus on sale of property	**7,384**	27,029

	Association 2011 £'000	Association 2010 £'000
Proceeds of sales	**40,198**	65,128
Cost of sales	**(32,902)**	(38,099)
Surplus on sale of property	**7,296**	27,029

7 Interest receivable and other income

	Group 2011 £'000	Group 2010 £'000
Bank and other interest receivable	**2,272**	2,584
Income from listed investments	**85**	98
	2,357	2,682

	Association 2011 £'000	Association 2010 £'000
Bank and other interest receivable	**2,262**	2,583
Income from listed investments	**85**	98
Intercompany interest from subsidiary	**413**	225
	2,760	2,906

8 Interest payable and similar charges

	Group	
	2011	2010
	£'000	£'000
Bank loans and overdrafts	**25,503**	29,514
Other loans	**8,341**	3,966
Other interest payable	**560**	791
	34,404	34,271

	Association	
	2011	2010
	£'000	£'000
Bank loans and overdrafts	**23,680**	27,911
Other loans	**8,341**	3,966
Other interest payable	**658**	791
	32,679	32,668

9 Surplus on ordinary activities

	Group 2011 £'000	Group 2010 £'000
Surplus on ordinary activities is stated after charging:		
Depreciation for the year		
Housing properties	**11,503**	11,290
Other tangible fixed assets	**1,977**	1,498
Impairment charge for the year		
Housing properties	**—**	5,300
Investment properties and properties awaiting sale	**—**	2,365
Auditors' remuneration		
For audit services	**138**	200
For non-audit services		
– tax advisory	**174**	232
– other	**63**	140
Operating lease rentals		
Land and buildings	**1,506**	893
Other	**450**	313

	Association 2011 £'000	Association 2010 £'000
Surplus on ordinary activities is stated after charging:		
Depreciation charge for the year		
Houses	**11,526**	11,241
Other tangible fixed assets	**1,973**	1,498
Impairment charge for the year		
Housing properties	**—**	5,300
Auditors' remuneration		
For audit services	**128**	153
For non-audit services		
– tax advisory	**174**	232
– other	**63**	140
Operating lease rentals		
Land and buildings	**1,506**	887
Other	**432**	301

10 Tax on surplus on ordinary activities

	Group 2011 £'000	2010 £'000
Analysis of charge in period		
Current tax charge	**5**	20
Deferred tax (credit)	**(343)**	(535)
	(338)	(515)

Factors affecting tax charge for period
The tax assessed for the year is lower than the standard rate of corporation tax in the UK (28 %).
The differences are explained below:

	2011 £'000	2010 £'000
Profit on ordinary activities before tax	**18,030**	14,374
Profit on ordinary activities multiplied by the standard rate of corporation tax in the UK of 28 % (2010: 28 %)	**5,048**	4,024
Effects of:		
Expenses not deductible for tax purposes	**125**	240
Profits exempt from tax due to charitable exemption	**(5,508)**	(4,798)
Adjustment to tax charge in respect of previous periods	**—**	6
Utilisation of tax losses	**327**	650
Depreciation (less than) capital allowances	**13**	(102)
Current tax charge	**5**	20

Deferred taxation
The movement in the year is as follows:

	2011 £'000	2010 £'000
At the beginning of the year	**(1,323)**	(788)
(Credit) for the year	**(343)**	(535)
Consolidation adjustments	**354**	—
At the end of the year	**(1,312)**	(1,323)

The elements of the deferred tax asset and amounts not provided are as follows:

	Provided £'000	Unprovided £'000
Difference between accumulated depreciation and capital allowances	**557**	—
Losses	**(1,869)**	—
	(1,312)	—

10 Tax on surplus on ordinary activities – continued

	Association 2011 £'000	2010 £'000
Analysis of charge in period		
Current tax charge	—	81
Deferred tax charge	—	—
Prior period tax charge	—	(13)
	—	68

Factors affecting tax charge for period
The tax assessed for the year is higher than the standard rate of corporation tax in the UK (28 %). The differences are explained below:

	2011 £'000	2010 £'000
Profit on ordinary activities before tax	**19,441**	17,627
Profit on ordinary activities multiplied by the standard rate of corporation tax in the UK of 28 % (2010: 28 %)	**5,443**	4,935
Effects of:		
Losses		
Adjustment to tax charge in respect of previous periods	—	(13)
Expenses not deductible for tax purposes	—	—
Depreciation in excess of capital allowances	—	—
Profits exempt from tax as a result of charitable exemption	**(5,443)**	(4,854)
Current tax charge	—	68

Deferred taxation
The movement in the year is as follows:

	2011 £'000	2010 £'000
At the beginning of the year	—	—
Charge/(credit) for the year	—	—
At the end of the year	—	—

The elements of the deferred tax asset and amounts not provided are as follows:

	Provided £'000	Unprovided £'000
Difference between accumulated depreciation and capital allowances	—	—
Losses	—	—
Other timing differences	—	—
	—	—

11 Tangible fixed assets

Group	Social housing properties held for letting £'000	Non-social housing properties held for letting £'000	Total housing properties held for letting £'000	Social housing properties under construction £'000
Cost				
At 1 April 2010	1,453,711	1,821	1,455,532	57,965
Schemes completed	54,177	—	54,177	(51,053)
Additions	2,276	—	2,276	67,315
Improvements to existing properties	15,172	—	15,172	—
Disposals	(28,812)	—	(28,812)	—
Reclassification	—	—	—	115
Addition due to amalgamation	2	—	2	—
At 31 March 2011	**1,496,526**	**1,821**	**1,498,347**	**74,342**
Depreciation				
At 1 April 2010	84,056	—	84,056	2,000
Charge for the year	10,943	110	11,053	—
Eliminated in respect of disposals	(2,517)	—	(2,517)	—
Reclassification	2,000	—	2,000	(2,000)
At 31 March 2011	**94,482**	**110**	**94,592**	**—**
Net book value (before SHG) at 31 March 2011	**1,402,044**	**1,711**	**1,403,755**	**74,342**
Net book value (before SHG) at 31 March 2010	1,369,655	1,821	1,371,476	55,965
Social Housing Grant				
At 1 April 2010	731,678	—	731,678	41,998
Receivable in the year (net)	6,336	—	6,336	34,608
Schemes completed	20,386	—	20,386	(19,888)
Disposals	(13,118)	—	(13,118)	—
At 31 March 2011	**745,282**	**—**	**745,282**	**56,718**
Net book value (after SHG) at 31 March 2011	**656,762**	**1,711**	**658,473**	**17,624**
Net book value (after SHG) at 31 March 2010	637,977	1,821	639,798	13,967

11 Tangible fixed assets – continued

Group	Completed shared ownership properties £'000	Shared ownership properties under construction £'000	Total properties £'000	Freehold and long leasehold offices £'000	Fixtures vehicles and computer equipment £'000	Total £'000
Cost						
At 1 April 2010	107,538	8,696	1,629,731	12,494	10,899	1,653,124
Schemes completed	3,978	(7,102)	—	—	—	—
Additions	—	9,784	79,375	147	2,606	82,128
Improvements to existing properties	—	—	15,172	—	—	15,172
Disposals	(1,201)	(17)	(30,030)	(142)	(1,335)	(31,507)
Reclassification	1,641	115	1,871	(11)	(98)	1,762
Eliminated due to amalgamation	—	—	2	—	—	2
At 31 March 2011	**111,956**	**11,476**	**1,696,121**	**12,488**	**12,072**	**1,720,681**
Depreciation						
At 1 April 2010	1,280	—	87,336	4,906	5,423	97,665
Charge for the year	450	—	11,503	498	1,479	13,480
Eliminated in respect of disposals	(98)	—	(2,615)	(26)	(1,361)	(4,002)
Reclassification	—	—	—	—	(8)	(8)
At 31 March 2011	**1,632**	**—**	**96,224**	**5,378**	**5,533**	**107,135**
Net book value (before SHG) at 31 March 2011	**110,324**	**11,476**	**1,599,897**	**7,110**	**6,539**	**1,613,546**
Net book value (before SHG) at 31 March 2010	106,258	8,696	1,542,395	7,588	5,476	1,555,459
Social Housing Grant						
At 1 April 2010	33,990	4,185	811,851	—	—	811,851
Receivable in the year (net)	—	1,767	42,711	—	—	42,711
Schemes completed	1,068	(1,566)	—	—	—	—
Disposals	(301)	—	(13,419)	—	—	(13,419)
At 31 March 2011	**34,757**	**4,386**	**841,143**	**—**	**—**	**841,143**
Net book value (after SHG) at 31 March 2011	**75,567**	**7,090**	**758,754**	**7,110**	**6,539**	**772,403**
Net book value (after SHG) at 31 March 2010	72,268	4,511	730,544	7,588	5,476	743,608

Improvements to existing properties consists of £15.2m capitalised costs in addition to £28.2m non-capitalised improvements, which have been charged to the income and expenditure account.

The net book value of tangible fixed assets includes £Nil (2010: £Nil) in respect of assets held under finance leases.

11 Tangible fixed assets – continued

Association

	Social housing properties held for letting £'000	Non-social housing properties held for letting £'000	Total housing properties held for letting £'000	Social housing properties under construction £'000
Cost				
At 1 April 2010	1,453,485	1,821	1,455,306	58,764
Schemes completed	54,177	—	54,177	(51,053)
Additions	2,225	—	2,225	67,315
Improvements to existing properties	15,172	—	15,172	—
Disposals	(28,812)	—	(28,812)	—
Reclassification	(26)	—	(26)	114
At 31 March 2011	**1,496,221**	**1,821**	**1,498,042**	**75,140**
Depreciation				
At 1 April 2010	84,007	—	84,007	2,000
Charge for the year	10,891	110	11,001	—
Eliminated in respect of disposals	(2,520)	—	(2,520)	—
Reclassification	2,000	—	2,000	(2,000)
At 31 March 2011	**94,378**	**110**	**94,488**	**—**
Net book value (before SHG) at 31 March 2011	**1,401,843**	**1,711**	**1,403,554**	**75,140**
Net book value (before SHG) at 31 March 2010	1,369,478	1,821	1,371,299	56,764
Social Housing Grant				
At 1 April 2010	731,586	—	731,586	41,998
Receivable in the year (net)	6,336	—	6,336	34,608
Schemes completed	20,386	—	20,386	(19,888)
Disposals	(13,118)	—	(13,118)	—
At 31 March 2011	**745,190**	**—**	**745,190**	**56,718**
Net book value (after SHG) at 31 March 2011	**656,653**	**1,711**	**658,364**	**18,422**
Net book value (after SHG) at 31 March 2010	637,892	1,821	639,713	14,766

11 Tangible fixed assets – continued

Association

	Completed shared ownership properties £'000	Shared ownership properties under construction £'000	Total properties £'000	Freehold and long leasehold offices £'000	Fixtures vehicles and computer equipment £'000	Total £'000
Cost						
At 1 April 2010	107,539	8,696	1,630,305	11,968	10,874	1,653,147
Schemes completed	3,978	(7,102)	—	—	—	—
Additions	—	9,784	79,324	147	2,596	82,067
Improvements to existing properties	—	—	15,172	—	—	15,172
Disposals	(1,201)	(17)	(30,030)	(142)	(1,335)	(31,507)
Reclassification	1,664	115	1,867	(11)	(80)	1,776
At 31 March 2011	**111,980**	**11,476**	**1,696,638**	**11,962**	**12,055**	**1,720,655**
Depreciation						
At 1 April 2010	1,280	—	87,287	4,906	5,410	97,603
Charge for the year	450	—	11,451	498	1,475	13,424
Eliminated in respect of disposals	(98)	—	(2,618)	(26)	(1,361)	(4,005)
Reclassification	—	—	—	—	—	—
At 31 March 2011	**1,632**	**—**	**96,120**	**5,378**	**5,524**	**107,022**
Net book value (before SHG) at 31 March 2011	**110,348**	**11,476**	**1,600,518**	**6,584**	**6,531**	**1,613,633**
Net book value (before SHG) at 31 March 2010	106,259	8,696	1,543,018	7,062	5,464	1,555,544
Social Housing Grant						
At 1 April 2010	33,990	4,185	811,759	—	—	811,759
Receivable in the year (net)	—	1,769	42,713	—	—	42,713
Schemes completed	1,068	(1,566)	—	—	—	—
Disposals	(303)	—	(13,421)	—	—	(13,421)
At 31 March 2011	**34,755**	**4,388**	**841,051**	**—**	**—**	**841,051**
Net book value (after SHG) at 31 March 2011	**75,593**	**7,088**	**759,467**	**6,584**	**6,531**	**772,582**
Net book value (after SHG) at 31 March 2010	72,269	4,511	731,259	7,062	5,464	743,785

Improvements to existing properties consists of £15.2m capitalised costs in addition to £28.2m non capitalised improvements, which have been charged to the income and expenditure account.

The housing properties charged as security for loans provided to the Association by the Royal Bank of Canada Europe Limited were valued by King Sturge and Countrywide Surveyors as at 31 March 2011 at £309.1m on an Existing Use Value – Social Housing (2010 £293.4m). The net book value (after SHG) of these properties at 31 March 2011 was £104.7m.

The net book value of tangible fixed assets includes £Nil (2010 : £Nil) in respect of assets held under finance leases.

11 Tangible fixed assets – continued

Housing properties and offices include freehold and long leasehold land and buildings as analysed below (net of SHG and depreciation):

	Group	
	2011	2010
	£'000	£'000
Housing Properties		
Freehold	**752,879**	724,669
Long leasehold	**5,875**	5,875
	758,754	730,544
Offices		
Freehold	**5,693**	5,648
Long leasehold	**1,417**	1,940
	7,110	7,588

	Association	
	2011	2010
	£'000	£'000
Housing Properties		
Freehold	**753,592**	725,384
Long leasehold	**5,875**	5,875
	759,467	731,259
Offices		
Freehold	**5,167**	5,122
Long leasehold	**1,417**	1,940
	6,584	7,062

12 Investments

A. Fixed assets

Name of undertaking	Nature of undertaking	Principal activity
Circle Limited[3]	Joint Venture company incorporated and limited by shares under the Companies Act 1985	Construction waste recycling
Compendium Group Limited[4]	Joint Venture company incorporated and limited by shares under the Companies Act 1985	Strategic urban regeneration and development
Donald Bates Charity	Chritable Trust	Management of supported housing
ECHG (Harrow) Homes plc[1]	Public Limited Company	Property investment
ECHG (Kensington & Chelsea) Homes plc[1]	Public Limited Company	Property investment
ECHG (No 1) Limited	Registered Industrial and Provident Society	Property investment
Eleanor Godfrey Crittal Chairty	Charitable Trust	Management of supported housing
Eventide Homes Trust	Charitable Trust	Management of supported housing
Naylands (51-68) Limited[2]	Company incorporated and limited by guarantee under the Companies Act 1985	Property management
Prospect (GB) Limited	Company incorporated and limited by shares under the Companies Act 1985	Property development and investment
Riverside Consultancy Services Limited	Company incorporated and limited by shares under the Companies Act 1985	Design and build services
Riverside Housing Association Charitable Trust	Charitable Trust	Funding charitable activities
Riverside Housing Repairs Limited	Company incorporated and limited by shares under the Companies Act 1985	Dormant
Riverside Regeneration Limited	Company incorporated and limited by shares under the Companies Act 1985	Urban regeneration initiatives
Riverside Urban Services Limited	Company incorporated and limited by guarantee under the Companies Act 1985	Leasing of office premises
The St Michael's Housing Trust	Charitable Trust	Management of supported housing

Key to numbering

1 Entity is a wholly-owned subsidiary undertaking of ECHG (No 1) Limited.
2 Entity is 76 % owned by The Riverside Group Limited.
3 Entity is 22.5 % owned by The Riverside Group Limited.
4 Entity is 50 % owned by The Riverside Group Limited.

12 Investments – continued

	Group 2011 £'000	Group 2010 £'000
(i) Other investments		
8¾% Treasury Stock 2017	**335**	334
Charifund	**7,418**	6,715
Investment properties (see ii below)	**14,028**	14,001
Homebuy	**173**	114
Other	**2,082**	2,009
	24,036	23,173
Investment in joint ventures	**65**	111
	24,101	23,284

	Association 2011 £'000	Association 2010 £'000
(i) Other investments		
8¾% Treasury Stock 2017	**335**	334
Charifund	**7,418**	6,715
Investment in subsidiaries	**13,500**	26,002
Investment in Joint Ventures	**731**	111
Homebuy	**14**	—
Other	**1,971**	2,009
	23,969	35,171

	Group 2011 £'000	Group 2010 £'000
(ii) Investment properties		
Valuation at 1 April 2010	**14,001**	14,784
Additions	**27**	73
Revaluation	**—**	(856)
Valuation at 31 March 2011	**14,028**	14,001

12 Investments – continued

B. Current assets

	Group	
	2011	2010
	£'000	£'000
Unit Trusts, Investment Trusts and listed investments on the London Stock Exchange	**3,410**	3,312
Money market deposits and charged bank accounts	**19,353**	16,414
	22,763	19,726

	Association	
	2011	2010
	£'000	£'000
Unit Trusts, Investment Trusts and listed investments on the London Stock Exchange	**3,410**	3,312
Money market deposits and charged bank accounts	**19,353**	16,413
	22,763	19,725

13 Debtors

	Group	
	2011	2010
	£'000	£'000
Amounts falling due after more than one year:	**39,217**	15,717
Amounts falling due within one year:		
Gross rent arrears	**12,478**	12,301
Less: bad debt provision	**(3,078)**	(3,825)
Net rental debtors	**9,400**	8,476
Social Housing Grant receivable	**9,512**	899
Other debtors	**72,835**	69,602
Prepayments and accrued income	**5,176**	6,041
Corporation tax	**1,312**	1,323
Amount due from joint venture	**56**	90
	98,291	86,431

Included in debtors due after more than one year is £39.0m (2010: £15.5m) representing the obligation of the local authorities that transferred stock to the Group to have improvement work carried out to the properties. The Group is contracted by the local authorities to carry out these improvement works on their behalf.

	Association	
	2011	2010
	£'000	£'000
Amounts falling due in more than one year:		
Improvement programmes	**38,999**	15,543
Intra group debtors	**16,517**	10,457
	55,516	26,000
Amounts falling due within one year:		
Gross rent arrears	**12,478**	12,301
Less: bad debt provision	**(3,078)**	(3,825)
Net rental debtors	**9,400**	8,476
Due from subsidiary undertakings	**673**	388
Social Housing Grant receivable	**9,202**	899
Other debtors	**73,435**	66,236
Prepayments and accrued income	**5,117**	5,325
	97,827	81,324

14 Properties for sale

	Group	
	2011	2010
	£'000	£'000
Properties under construction	**30,475**	3,294
Completed properties	**23,193**	45,444
	53,668	48,738

	Association	
	2011	2010
	£'000	£'000
Properties under construction	**4,341**	3,294
Completed properties	**19,132**	19,025
	23,473	22,319

15 Creditors: amounts falling due within one year

	Group	
	2011	2010
	£'000	£'000
Bank loans (see note 17)	**9,320**	8,496
Trade creditors	**11,398**	12,526
Rent and service charges received in advance	**4,755**	5,971
Social Housing Grant received in advance	**11,039**	15,901
Other taxation and social security payable	**969**	1,121
Other creditors	**45,434**	36,572
Recycled Capital Grant Fund (see note 16a)	**3,850**	5,389
Disposal Proceeds Fund (see note 16a)	**76**	1,746
Accruals and deferred income	**44,188**	40,539
Corporation tax	**430**	409
	131,459	128,670

	Association	
	2011	2010
	£'000	£'000
Bank loans (see note 17)	**9,320**	8,495
Trade creditors	**6,221**	7,608
Rent and service charges received in advance	**4,755**	5,971
Social Housing Grant received in advance	**11,039**	15,901
Other taxation and social security payable	**436**	1,202
Other creditors	**44,981**	34,155
Recycled Capital Grant Fund (see note 16a)	**3,850**	5,389
Disposals Proceeds Fund (see note 16a)	**76**	1,746
Accruals and deferred income	**46,245**	38,956
Corporation tax	**—**	409
Intra group creditors	**3,779**	13,992
	130,702	133,824

Social Housing Grant received in advance will be utilised against the related capital expenditure during the next twelve months.

16 Creditors: amounts falling due after more than one year

	Group	
	2011	2010
	£'000	£'000
Long term loans (see note 17)	**605,090**	596,109
Recycled Capital Grant Fund (see note 16a)	**10,050**	12,413
Disposal Proceeds Fund (see note 16a)	**678**	468
Other	**5,635**	7,040
	621,453	616,030

Long term loans are secured by fixed and floating charges on The Riverside Group's properties.

	Association	
	2011	2010
	£'000	£'000
Long term loans (see note 17)	**577,154**	566,453
Recycled Capital Grant Fund (see note 16a)	**10,050**	12,413
Disposal Proceeds Fund (see note 16a)	**678**	468
Other	**5,374**	6,954
	593,256	586,288

Long term loans are secured by fixed and floating charges on The Riverside Group's properties.

16a Creditors: analysis of disposal proceeds fund and recycled capital grant fund

	Group and Association	
	2011	2010
	£'000	£'000
Disposal Proceeds Fund		
Opening balance	**2,214**	2,190
Grants recycled	**455**	208
Interest accrued	**7**	7
Major repairs and works to existing stock	**(1,922)**	(191)
Closing balance	**754**	2,214

No amounts are due for repayment to the Tenant Services Authority.

	2011	2010
	£'000	£'000
Recycled Capital Grant Fund		
Opening balance	**17,802**	16,373
Grants recycled	**3,074**	6,741
Interest accrued	**64**	132
Major repairs and works to existing stock	**(7,040)**	(5,444)
Closing balance	**13,900**	17,802

No amounts are due for repayment to the Homes and Communities Agency.

17 Debt analysis

	Group	
	2011	2010
	£'000	£'000
Due within one year		
Bank loans	**8,054**	4,770
Other loans	**1,266**	3,726
	9,320	8,496

Due after more than one year		
Bank loans	**528,492**	526,205
Local authority loans	**488**	950
Other loans	**79,774**	72,312
Less finance costs capitalised	**(3,664)**	(3,358)
	605,090	596,109

Housing loans, included in creditors falling due within one year and creditors falling due after more than one year, bear rates of interest between 1.1 % and 11.6 %, and fall due for repayment as follows:

	2011	2010
	£'000	£'000
Debt maturity profile		
In one year or less	**9,320**	8,496
Between one and two years	**11,263**	27,836
Between two and five years	**82,115**	39,507
In five years or more	**515,376**	532,124
	618,074	607,963
Less:		
Loans due in one year or less	**(9,320)**	(8,496)
Finance costs capitalised	**(3,664)**	(3,358)
	605,090	596,109

17 Debt analysis – continued

	Association	
	2011	2010
	£'000	£'000
Due within one year		
Bank loans	**8,054**	4,769
Other loans	**1,266**	3,726
	9,320	8,495
Due after more than one year		
Bank loans	**500,304**	496,549
Local authority loans	**488**	950
Other loans	**79,774**	72,312
Less finance costs capitalised	**(3,412)**	(3,358)
	577,154	566,453

Housing loans, included in creditors falling due within one year and creditors falling due after more than one year, bear rates of interest between 1.1 % and 11.6 % and fall due for repayment as follows:

	2011	2010
	£'000	£'000
Debt maturity profile		
In one year or less	**9,320**	8,495
Between one and two years	**11,260**	27,836
Between two and five years	**53,930**	39,507
In five years or more	**515,376**	502,468
	589,886	578,306
Less:		
Loans due in one year or less	**(9,320)**	(8,495)
Finance costs capitalised	**(3,412)**	(3,358)
	577,154	566,453

18 Derivatives and financial instruments

Group
The operating and financial review on pages 10 to 16 includes an explanation of the role financial instruments have had during the period in managing the risks The Riverside Group faces in its treasury activities.

Financial assets and liabilities
Financial assets and liabilities at 31 March 2011 have book and fair values as detailed below.

	2011 Book value £'000	**2011 Fair value £'000**	2010 Book value £'000	2010 Fair value £'000
Charifund	**7,423**	**7,423**	6,715	6,715
8¾% Treasury stock 2017	**335**	**335**	334	334
Interest rate swap agreements	**—**	**(18,003)**	—	(20,465)
Unit trusts, investment trusts and listed investments	**3,410**	**3,410**	3,312	3,312
Unlisted investments	**1,966**	**1,966**	2,009	2,009
	13,134	**(4,869)**	12,370	(8,095)

Fixed asset investments are detailed at note 12A. The investment in 8¾% Treasury Stock 2017 is held as a requirement of the loan from Funding For Homes Limited and cannot be disposed of until the loan has been repaid (see note 27). The investment in Charifund is held by virtue of a Board decision to actively provide for the bullet repayment of the loans due to HACO Limited and Funding For Homes Limited in 2017 and 2018 respectively.

The fair value of the interest rate swap agreement at 7 July 2011 was £26.9m in favour of the counterparties.

Interest rate risk profile of financial assets
With the exception of the investment of £335,500 (2010: £334,286) in 8¾% Treasury Stock 2017, all investments have variable rates of return. Money market deposits and other cash deposits, all of which are denominated in sterling, bear interest at variable rates based upon LIBOR.

Interest rate risk profile of financial liabilities	**2011 £'000**	2010 £'000
Floating rate	**56,630**	148,208
Fixed rate	**560,954**	458,805
Interest free	**488**	950
	618,072	607,936

The floating weighted rate financial instruments comprise sterling denominated bank borrowings that bear interest at rates based upon LIBOR. The weighted average rate of interest paid on the fixed rate debt during the year is 5.8% and the weighted average of the period for which the interest rates are fixed is 9.1 years.

Borrowing facilities
Undrawn committed borrowing facilities at 31 March 2011 were as follows:

	Group and Association	
	2011 £'000	2010 £'000
Expiring in less then 1 year	**20,900**	500
Expiring between 1 and 5 years	**3,000**	26,308
Expiring in more than 5 years	**119,829**	120,890
	143,729	147,698

18 Derivatives and financial instruments – continued

£57.5m of the undrawn committed borrowing facilities requires fixed charged security to be placed with the lender before it can be utilised.

Association

The operating and financial review on pages 10 to 16 include an explanation of the role financial instruments have had during the year in managing the risks the Association faces in its treasury activities.

Financial assets and liabilities

Financial assets and liabilities at 31 March 2011 have book values and fair values as detailed below:

	2011 Book value £'000	**2011 Fair value £'000**	2010 Book value £'000	2010 Fair value £'000
Charifund	**7,423**	**7,423**	6,715	6,715
8¾% Treasury Stock 2017	**335**	**335**	334	334
Interest rate swap agreements	**—**	**(16,644)**	—	(19,237)
Unit trusts, Investment Trusts and listed investments	**3,410**	**3,410**	3,312	3,312
Unlisted investments	**1,966**	**1,966**	2,009	2,009
	13,134	**(3,510)**	12,370	(6,867)

Fixed asset investments are detailed at note 12A. The investment in 8¾% Treasury Stock 2017 is held as a requirement of the loan from Funding for Homes Limited and cannot be disposed of until the loan has been repaid (note 27). The investment in Charifund is held by virtue of a Board decision to actively provide for the bullet repayment of the loans due to HACO Limited and Funding for Homes Limited in 2017 and 2018 respectively.

The fair value of the interest rate swap agreement at 7 July 2011 was £25.5m in favour of the counterparties.

Interest rate risk profile of financial assets

With the exception of the investment of £335,500 (2010: £334,286) in 8¾% Treasury Stock 2017, all investments have variable rates of return. Money market deposits and other cash deposits, all of which are denominated in sterling, bear interest at variable rates based upon LIBOR.

Interest rate risk profile of financial liabilities	**2011 £'000**	2010 £'000
Floating rate	**52,068**	131,773
Fixed rate	**537,330**	445,583
Interest free	**488**	950
	589,886	578,306

The floating weighted rate financial instruments comprise sterling denominated bank borrowings that bear interest at rates based upon LIBOR. The average weighted rate of interest paid on the fixed rate debt during the year is 5.9% and the weighted average of the period for which the interest rates are fixed is 9.5 years.

19 Deferred income

Deferred income relates to a receipt of £1.1m arising from the transfer to The Riverside Group of another association's HACO fixed interest debt of £11.0m as compensation for the decrease in long-term interest rates. The balance of £0.3m (2010: £0.3m) is released over the remaining life of the loan.

20 Reserves

			Group		
	Consolidation reserve £'000	Revaluation reserve (restricted) £'000	Other reserves (designated) £'000	Income and expenditure account £'000	Total £'000
At 1 April 2010	382	3,383	70,240	108,936	182,941
Surplus for the year	—	—	—	18,026	18,026
Consolidation adjustment	—	—	243	367	610
Transfer to income and expenditure account from reserves	—	—	(27,852)	27,852	—
Revaluation of investments	—	1,037	—	—	1,037
Transfer from income and expenditure account to reserves	—	—	31,136	(31,136)	—
Actuarial gain on pension scheme	—	—	—	8,373	8,373
Donations	—	—	11	—	11
At 31 March 2011	**382**	**4,420**	**73,778**	**132,418**	**210,998**

The consolidation reserve arose on the merger of Newcastle and Whitley Housing Trust Limited.

			Association		
	Goodwill £'000	Revaluation reserve (restricted) £'000	Other reserves (designated) £'000	Income and expenditure account £'000	Total £'000
At 1 April 2010	382	3,383	70,424	121,258	195,447
Surplus for the year	—	—	—	19,441	19,441
Donations and other movements	—	—	11	—	11
Transfer to income and expenditure account from reserves	—	—	(27,852)	27,852	—
Revaluation of investments	—	1,037	—	—	1,037
Transfer from income and expenditure account to reserves	—	—	31,136	(31,136)	—
Actuarial gain on pension scheme	—	—	—	8,373	8,373
At 31 March 2011	**382**	**4,420**	**73,719**	**145,788**	**224,309**

Within other reserves are the charitable reserves of £2.0m analysed between restricted reserves £1.5m and unrestricted reserves £0.5m.

In addition there is a further £0.1m restricted reserve relating to right to buy sales in respect of properties transferred from Carlisle City Council.

21 Reconciliation of operating surplus to net cash inflow from operating activities

	Group	
	2011	2010
	£'000	£'000
Operating surplus	**42,897**	18,980
Depreciation and impairment	**13,469**	15,037
Decrease in other debtors and prepayments	**6,262**	28,137
Increase / (decrease) in other creditors and accruals	**6,166**	(3,740)
(Increase) / decrease in rent arrears	**(1,567)**	447
Fixed assets disposals	**(11,159)**	616
Net cash inflow from operating activities	**56,068**	59,477

22 Reconciliation of net cash flow to movement in net debt

	Group	
	2011	2010
	£'000	£'000
(Decrease) / increase in cash in the year	**(25,447)**	18,528
Increase in loans	**(9,739)**	(962)
Movement in liquid resources	**3,037**	5,668
Change in net debt resulting from cash flows	**(32,149)**	23,234
Non cashflow adjustment on amalgamation	**—**	23,265
Non cash adjustments including captilised finance costs	**(64)**	533
	(32,213)	47,032
Net debt at 1 April 2010	**(550,309)**	(597,341)
Net debt at 31 March 2011 (see note 23)	**(582,522)**	(550,309)

23 Analysis of net debt

	Group			
	1 April 2010 £'000	Cash flows £'000	Other changes £'000	**31 March 2011 £'000**
Cash at bank and in hand	34,570	(25,447)	—	**9,123**
Loans due within one year (see note 15)	(8,496)	9,864	(10,688)	**(9,320)**
Loans due after one year (see note 17)	(596,109)	(19,603)	10,624	**(605,088)**
Current asset investments (see note 12b)	19,726	3,037	—	**22,763**
Total	(550,309)	(32,149)	(64)	**(582,522)**

24 Capital commitments

	Group and Association	
	2011 £'000	2010 £'000
Capital expenditure that has been contracted for but which has not been provided for in the financial statements	**61,470**	44,939
Capital expenditure that has been authorised by the Board but which has not yet been contracted for	**15,081**	61,216

	2011 £'000	2010 £'000
Grants to be generated from the above expenditure contracted not provided for	**16,325**	11,427
Grants to be generated from the above expenditure authorised by the Board	**1,830**	20,366

The remaining commitments will be fully financed from internal cash resources and existing loan facilities as required.

25 Financial commitments

At 31 March 2011 annual commitments under non-cancellable operating leases were as follows:

	Group			
	2011 £'000		2010 £'000	
	Land & buildings	**Other**	Land & buildings	Other
Expiring within one year	**—**	**238**	—	51
Expiring between two and five years	**1,344**	**231**	611	154
Expiring in five or more years	**162**	**—**	282	167
	1,506	**469**	893	372

	Association			
	2011 £'000		2010 £'000	
	Land & buildings	**Other**	Land & buildings	Other
Expiring within one year	**—**	**229**	—	51
Expiring between two and five years	**1,344**	**219**	611	83
Expiring in five or more years	**162**	**—**	276	167
	1,506	**448**	887	301

26 Pension information

i) The Riverside Group Pension Scheme

The Riverside Group operates a pension scheme providing benefits based on final pensionable pay. The contributions are determined by an independent qualified actuary on the basis of triennial valuation using the projected unit method. The most recent formal valuation was 31 March 2008. This has been updated for FRS 17 purposes to 31 March 2011 by an independent qualified actuary. The assumptions used are the best estimates chosen from a range of possible actuarial assumptions which, due to the timescale covered, may not necessarily be borne out in practice.

The major assumptions used in this valuation are:

	2011	2010	2009	2008	2007
Inflation	**3.3%**	3.5%	2.5%	3.4%	3.1%
Rate of discount on scheme liabilities	**5.5%**	5.5%	6.7%	6.3%	5.3%
Rate of salary increase	**4.3%**	4.5%	3.5%	4.4%	4.1%
Rate of increase of pensions in payment	**3.3%**	3.5%	2.5%	3.4%	3.1%
Rate of increase of deferred pensions	**3.3%**	3.5%	2.5%	3.4%	3.1%
Life expectancy male non-pensioner	**23.2**	23.1	20.2	20.2	
Life expectancy female non-pensioner	**26.0**	25.9	23.1	23.1	
Life expectancy male pensioner	**22.2**	22.1	18.8	18.8	
Life expectancy female pensioner	**25.0**	25.0	21.7	21.7	

The Minister for Pensions announced on 8 July 2010 the Government's intention to move to using the Consumer Prices Index (CPI) rather than Retail Prices Index (RPI) as the inflation measure for determining minimum pension increases to be applied to the statutory index - linked features of retirement benefits. As a result CPI has been applied to future deferred revaluations and increases to Guaranteed Minimum Pensions (GMP). RPI continues to be applied to CARE revaluations and increases to pensions in excess of GMP.

The change to CPI has been treated as a change in actual assumptions.

The fair value of the scheme's assets at 31 March 2011, which are not intended to be realised in the short term and may be subject to significant change before they are realised, and the present value of the scheme's liabilities, which are derived from cash flow projections over long periods and are thus inherently uncertain, were:

	2011 £'000	2010 £'000	2009 £'000	2008 £'000	2007 £'000
Fair value of assets	**78,300**	70,600	47,100	54,700	55,500
Present value of liabilities	**(81,700)**	(78,600)	(46,700)	(57,200)	(59,700)
(Deficit)/surplus in the scheme	**(3,400)**	(8,000)	400	(2,500)	(4,200)

26 Pension information – continued

The market value of the assets of the scheme and the expected long term rates of return at 31 March 2011 were:

	2011 £'000	2010 £'000	2009 £'000	2008 £'000	2007 £'000
Market value					
Equities	**55,000**	47,100	33,100	37,600	39,100
Fixed Interest Bonds	**—**	4,500	5,800	6,900	6,600
Index Linked Bonds	**9,500**	6,100	3,300	4,300	3,900
Corporate Bonds	**—**	6,300	4,800	5,700	5,400
Cash	**200**	6,600	100	200	500
Other	**13,600**	—	—	—	—
Total	**78,300**	70,600	47,100	54,700	55,500

	2011	2010	2009	2008	2007
Expected long term return					
Equities	**7.50%**	7.50%	7.50%	7.50%	7.50%
Fixed Interest Bonds	**4.20%**	4.40%	3.70%	4.55%	4.85%
Index Linked Bonds	**4.20%**	4.40%	3.70%	4.55%	4.85%
Corporate Bonds	**5.50%**	5.50%	6.70%	6.30%	5.30%
Cash	**4.20%**	4.40%	3.70%	4.55%	4.85%
Other	**5.50%**	—	—	—	—
Total	**6.74%**	6.57%	6.68%	6.76%	6.76%

	2011 £'000	2010 £'000	2009 £'000	2008 £'000	2007 £'000
Analysis of the amount charged to operating profit					
Current service cost	**2,100**	1,000	2,000	2,400	2,500
Past service cost	**1,300**	—	—	—	—
Total operating charge	**3,400**	1,000	2,000	2,400	2,500

	2011 £'000	2010 £'000	2009 £'000	2008 £'000	2007 £'000
Analysis of the amount credited to other finance income					
Expected return on pension scheme assets	**4,600**	3,100	3,300	3,800	3,300
Interest on pension liabilities	**(4,300)**	(3,100)	(3,600)	(3,200)	(2,800)
Net return	**300**	—	(300)	600	500

26 Pension information – continued

	2011 £'000	2010 £'000	2009 £'000	2008 £'000	2007 £'000
Movement in (deficit)/surplus during year					
(Deficit)/surplus in scheme at beginning of the year	**(8,000)**	400	(2,500)	(4,200)	(5,200)
Movement in year:					
Current service cost	**(2,100)**	(1,000)	(2,000)	(2,400)	(2,500)
Past service cost	**(1,300)**	—	—	—	—
Contributions	**2,900**	6,800	2,800	2,400	2,300
Other finance income	**300**	—	(300)	600	500
Actuarial gain/(loss) in STRSD	**4,800**	(14,200)	2,400	1,100	700
(Deficit)/surplus in scheme at end of the year	**(3,400)**	(8,000)	400	(2,500)	(4,200)

	2011 £'000	2010 £'000	2009 £'000	2008 £'000	2007 £'000
Amount recognised in the statement of total recognised surpluses and deficits (STRSD)					
Actual return less expected return on pension scheme assets	**600**	13,800	(13,100)	(6,700)	400
Experienced gains arising on the scheme liabilities	**—**	300	3,100	500	900
Changes in assumptions underlying the present value of the scheme liabilities	**4,200**	(28,300)	12,400	7,300	(600)
Actuarial gain/(loss) recognised in STRSD	**4,800**	(14,200)	2,400	1,100	700

	2011	2010	2009	2008	2007
History of experience surpluses and deficits					
Difference between actual and expected returns on assets (£'000)	**600**	13,800	(13,100)	(6,700)	400
% of scheme assets	**0.8%**	19.7%	(27.8%)	(12.2%)	0.7%
Experienced (losses)/gains on liabilities (£'000)	**—**	300	3,100	500	900
% of scheme liabilities	**—**	0.4%	6.6%	0.9%	1.5%
Total amount recognised in STRSD (£'000)	**4,800**	(14,200)	2,400	1,100	700
% of scheme liabilities	**5.9%**	(18.1%)	5.1%	1.9%	1.2%

26 Pension information – continued

	2011 £'000	2010 £'000
Reconciliation of assets		
Assets at beginning of period	**70,600**	47,100
Employer contributions	**2,900**	6,800
Employee contributions	**1,300**	1,200
Benefits paid	**(1,700)**	(1,400)
Expected return on plan assets	**4,600**	3,100
Asset out performance	**600**	13,800
Assets at end of period	**78,300**	70,600
Reconciliation of liabilities		
Projected benefit obligation at the beginning of period	**78,600**	46,700
Operating charge	**3,400**	1,000
Interest cost	**4,300**	3,100
Employee contributions	**1,300**	1,200
Benefits paid	**(1,700)**	(1,400)
Actuarial gain/(loss)	**—**	(300)
Change in assumptions	**(4,200)**	28,300
Projected benefit obligation at end of period	**81,700**	78,600
Recognition of surplus		
(Deficit)/surplus brought forward	**(8,000)**	400
Finance income	**300**	—
Actual less expected investment return	**600**	13,800
Acutarial gain/(loss)	**4,200**	(28,000)
Contribution (loss)/gain	**(500)**	5,800
Deficit carried forward	**(3,400)**	(8,000)

26 Pension information – continued

ii) Other defined benefit pension schemes
The Riverside Group also makes contributions to other defined benefit pension schemes, Merseyside Pension Scheme. Greater Manchester Pension Fund, East Riding Pension Fund and Cumbria Local Government Pension Scheme. Each entity is a participating employer in its respective scheme.

The most recent actuarial valuations of these schemes have been updated for FRS 17 purposes by independent qualified actuaries. The disclosures represent each entity's share of the overall scheme's assets and liabilities. As permitted by FRS 17 the disclosures for these entities have been consolidated. The assumptions used, which have been combined on a weighted average basis on asset values, are the best estimates chosen from a range of possible actuarial assumptions, which due to the timescale covered may not necessarily be borne out in practice.

The major assumptions used in this valuation are:

	2011	2010	2009	2008	2007
Inflation	**3.32%**	3.50%	3.28%	3.60%	3.11%
Rate of discount on scheme liabilities	**5.45%**	5.58%	7.08%	6.17%	5.40%
Rate of salary increase	**4.49%**	4.68%	4.93%	5.26%	4.74%
Rate of increase of pensions in payment	**2.84%**	3.50%	3.28%	3.60%	3.11%
Rate of increase of deferred pensions	**2.84%**	3.50%	3.28%	3.60%	3.11%
Life expectancy male non-pensioner	**23.2**	21.9	21.4	21.4	
Life expectancy female non-pensioner	**26.0**	24.9	24.2	24.2	
Life expectancy male pensioner	**21.5**	20.7	21.1	21.1	
Life expectancy female pensioner	**24.2**	23.7	23.9	23.9	

The Chancellor of the Exchequer announced on 22 June 2010 as part of the Emergency Budget that with effect from April 2011 public service pensions would have their pension increases calculated by reference to CPI rather than RPI. The majority of local government pension schemes have taken the view that a constructive obligation to increase pensions in line with RPI exists and as a result the change is regarded as a change in benefits and is shown as a credit to past service cost.

The fair value of the schemes' assets at 31 March 2011, which are not intended to be realised in the short term and may be subject to significant change before they are realised, and the present value of the scheme's liabilities, which are derived from cash flow projections over long periods and are thus inherently uncertain, were:

	2011 £'000	2010 £'000	2009 £'000	2008 £'000	2007 £'000
Fair value of assets	**28,372**	26,093	20,137	24,243	26,885
Present value of liabilities	**(30,185)**	(32,987)	(21,906)	(25,758)	(27,253)
Deficit in the schemes	**(1,813)**	(6,894)	(1,769)	(1,515)	(368)

26 Pension information – continued

The market value of the assets of the scheme and the expected long term rates of return at 31 March 2011 were:

	2011 £'000	2010 £'000	2009 £'000	2008 £'000	2007 £'000
Market value					
Equities	**15,638**	14,658	10,511	13,617	16,171
Fixed Interest Bonds	**4,694**	4,892	3,948	4,670	5,044
Index Linked Bonds	**3,166**	2,140	1,477	2,075	2,100
Property	**1,758**	1,538	1,367	1,852	2,377
Other	**2,241**	1,985	2,142	782	214
Cash	**875**	880	692	1,247	979
Total	**28,372**	26,093	20,137	24,243	26,885

	2011	2010	2009	2008	2007
Expected long term return					
Equities	**7.50%**	7.51%	7.44%	7.52%	7.54%
Fixed Interest Bonds	**4.39%**	4.07%	4.16%	4.72%	4.72%
Index Linked Bonds	**4.46%**	4.45%	5.32%	5.41%	4.75%
Property	**6.36%**	7.21%	6.32%	6.41%	6.42%
Other	**6.44%**	1.79%	6.64%	6.65%	6.60%
Cash	**0.97%**	3.48%	0.90%	5.20%	5.21%
Total	**6.21%**	6.03%	6.26%	6.57%	6.60%

	2011 £'000	2010 £'000	2009 £'000	2008 £'000	2007 £'000
Analysis of the amount charged to operating profit					
Current service cost	**714**	449	669	682	806
Past service (credit)/cost	**(1,960)**	77	88	423	250
Total operating (credit)/charge	**(1,246)**	526	757	1,105	1,056

	2011 £'000	2010 £'000	2009 £'000	2008 £'000	2007 £'000
Analysis of the amount credited to other finance income					
Expected return on pension scheme assets	**1,643**	1,238	1,567	1,730	1,468
Interest on pension liabilities	**(1,866)**	(1,549)	(1,606)	(1,479)	(1,329)
Net return	**(223)**	(311)	(39)	251	139

26 Pension information – continued

	2011 £'000	2010 £'000	2009 £'000	2008 £'000	2007 £'000
Movement in deficit during year					
Deficit in scheme at beginning of the year	**(6,894)**	(1,769)	(1,515)	(368)	(2,056)
Movement in year:					
Current service cost	**(714)**	(449)	(669)	(682)	(806)
Past service cost	**1,960**	(77)	(146)	(423)	(250)
Contributions	**485**	460	526	647	670
Other finance (expenditure)/income	**(223)**	(311)	(39)	251	139
Actuarial (loss)/gain in STRSD	**3,573**	(4,748)	74	(940)	1,935
Deficit in scheme at end of the year	**(1,813)**	(6,894)	(1,769)	(1,515)	(368)

	2011 £'000	2010 £'000	2009 £'000	2008 £'000	2007 £'000
Amount recognised in the statement of total recognised surpluses and deficits (STRSD)					
Actual return less expected return on pension scheme assets	**277**	4,740	(4,134)	(1,936)	117
Experienced gains/(losses) arising on the scheme liabilities	**3,296**	(9,488)	4,208	1,289	2
Changes in assumptions underlying the present value of the scheme liabilities	**—**	—	—	(293)	1,816
Actuarial gain/(loss) recognised in STRSD	**3,573**	(4,748)	74	(940)	1,935

	2011	2010	2009	2008	2007
History of experience surpluses and deficits					
Difference between actual and expected returns on assets (£'000)	**277**	4,740	(4,134)	(1,936)	117
% of scheme assets	**1.0%**	14.4%	(20.5%)	(8.0%)	0.4%
Experienced (losses)/gains on liabilities (£'000)	**3,296**	(9,488)	4,208	1,289	2
% of scheme liabilities	**10.9%**	(36.4%)	19.2%	5.0%	0.0%
Total amount recognised in STRSD (£'000)	**3,573**	(4,748)	74	(940)	1,935
% of scheme liabilities	**11.8%**	(15.3%)	0.3%	(3.7%)	7.1%

26 Pension information – continued

	2011 £'000	2010 £'000
Reconciliation of assets		
Assets at beginning of period	**26,093**	20,136
East Riding brought forward	**416**	—
Employer contributions	**485**	461
Employee contributions	**211**	220
Benefits paid	**(753)**	(702)
Expected return on plan assets	**1,643**	1,238
Asset out performance	**277**	4,740
Assets at end of period	**28,372**	26,093
Reconciliation of liabilities		
Projected benefit obligation at beginning of period	**32,987**	21,905
East Riding brought forward	**458**	—
Operating charge	**(1,288)**	527
Interest cost	**1,866**	1,549
Employee contributions	**211**	220
Benefits paid	**(753)**	(702)
Actuarial gain/(loss)	**(3,296)**	9,488
Projected benefit obligation at end of period	**30,185**	32,987
Recognition of surplus		
Deficit brought forward	**(6,894)**	(1,769)
East Riding brought forward	**(42)**	—
Finance income	**(223)**	(311)
Actual less expected investment return	**277**	4,740
Actuarial gain	**3,296**	(9,488)
Contribution gain	**1,773**	(66)
Deficit carried forward	**(1,813)**	(6,894)

26 Pension information – continued

(iii) Defined contribution pension schemes
The Riverside Group also contributes to defined contribution schemes. The cost for the year was £8.0K (2010: £6.9K).

(iv) The Social Housing Pension Scheme
The Riverside Group participates in the Social Housing Pension Scheme (SHPS). SHPS is a multi-employer defined benefit scheme. The Scheme is funded and is contracted out of the state scheme.

The Riverside Group has elected to operate the final salary with a 1/60th accrual rate benefit structure for active members as at 31 March 2010 and from 1 April 2010 CARE for new entrants.

During the accounting period The Riverside Group contributed at the rate of 16.4%. Member contributions varied between 4.1% and 6.1% depending on their age.

As at the balance sheet date 265 employees of the Group were active members of SHPS. The Riverside Group continue to offer membership of SHPS to its employees.

It is not possible in the normal course of events to identify the share of underlying assets and liabilities belonging to individual participating employers. Accordingly, due to the nature of SHPS, the accounting charge for the period under FRS 17 'Retirement Benefits' represents the employer contribution payable.

Following a change in legislation in September 2005 there is a potential debt on the employer that could be levied by the Trustee of SHPS. The debt is due in the event of the employer ceasing to participate in SHPS or on the winding up of SHPS.

The debt for SHPS as a whole is calculated by comparing the liabilities for SHPS (calculated on a buyout basis i.e. the cost of securing benefits by purchasing annuity policies from an insurer, plus an allowance for expenses) versus the assets of the Scheme. If the liabilities exceed assets there is a buy-out debt.

The amount of the debt therefore depends on many factors including total liabilities, investment performance, the liabilities in respect of current and former employees of the employer, financial conditions at the time of the cessation event and the insurance buy-out market. The amounts of debt can therefore be volatile over time.

27 Contingent liabilities

As at 31 March 2011, The Riverside Group had a contingent liability totalling £0.3m (2010: £0.3m) in respect of its entire holding of 8¾% Treasury Stock 2017. This stock is held by the Trustee for Funding For Homes Limited, subject to certain rights, and could be sold should a fellow borrower fail to service the interest or repay the stock.

Following the demolition of properties on certain sites in 2010 no further costs have been written off in 2011 (2010: £2.1m). The related grant has been written back and a contingent liability to a maximum of £2.1m (2010: £2.1m) exists in respect of this grant; in the unlikely event of the sale of the land, the grant becomes repayable to the extent of any surplus generated on sale.

At the financial year end The Riverside Group had a contingent liability of £7.0m (2010: £7.0m) in connection with a debt service guarantee arrangement in favour of the Royal Bank of Canada Europe Limited.

The Group has performance bonds with Barclays Bank totalling £0.2m (2010: £0.2m).

28 Provisions for liabilities and charges

		Group and Association	
		2011	2010
		£'000	£'000
Improvement programme	(i)	**49,611**	30,386
Pension liabilities	(ii)	**5,213**	14,894
Other		**227**	227
At 31 March 2011		**55,051**	45,507

(i) Improvement programme
A provision of £49.6m has been made in respect of The Riverside Group's outstanding contractual and statutory commitment to carry out improvement work.

(ii) Pension liabilities
In line with the full adoption of FRS 17 'Retirement Benefits' the net deficit on The Riverside Group Pension Scheme and Local Authority funds are recognised as a liability on the balance sheet (note 26).

29 Housing stock

	Group and Association	
	2011	2010
	Number	Number
Dwellings owned and in management		
Social housing		
General housing	**34,694**	33,481
Supported housing (bed spaces)	**9,631**	9,417
Shared ownership	**2,164**	1,998
Key worker	**190**	190
Total social housing	**46,679**	45,086
Dwellings managed for other organisations	**3,280**	3,524
Total managed social housing	**49,959**	48,610
Non social housing		
Student accommodation	**10**	9
Market rent	**122**	101
Specialist housing	**408**	183
Other	**22**	—
Total owned and managed	**50,521**	48,903
Staff accommodation	**136**	168
Awaiting major repair/disposal	**836**	1,242
Total stock	**51,493**	50,313
Accommodation in development at the year end	**1,185**	773

30 Related party transactions

One Board member of The Riverside Group Limited is a tenant of The Riverside Group Limited. Their tenancy is on normal commercial terms, and they cannot use their position to their advantage. There are no other related party transactions.

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